

WERNER SOMBART AND HIS TYPE OF ECONOMICS

by

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*"Economics, without theory, is blind;
without history, is empty."*

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1937

In memory of my father

JOSEPH ELIJAH PLOTNIK

FOREWORD

The name Werner Sombart is familiar to economists. To some he is one of the three pillars of economic thought: Ricardo, Marx, and Sombart; (1) to others a genius gone wrong; (2) the rest know that he wants something extreme but very few know exactly what. To the reader puzzled by the institutional approach, Sombart's type of economics is of special interest. The titles of his works are known to a wide English-speaking audience, but unfortunately not their content. To the latter, linguistic difficulties as well as heavy academic prerequisites in many branches of knowledge remain a serious obstacle. This study aims to surmount these obstacles that stand in the way of making Werner Sombart's type of economics accessible to the English-speaking reader.

The first part of this study deals with the cradle of Sombart's set of problems, and the frame of his problem-setting. Every generation has its own troubles, its own problems. The problems of economics are eternal, but the time frames their setting. The mind of the savant, like that of any other living man in society, is shaped by the social mind. To understand Sombart means then to understand the mind of the nineteenth century as well as to understand the historical setting of his national environment at the time when he was born, and the years during which he grew up and matured.

The second part deals with Sombart the man, whose life was as dramatic as his time. It is the first attempt toward a biographical sketch. Sombart is fortunately among the living: there is

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1. Seizew, Emanuel, *Schriften des Vereins für Sozialpolitik*, v. 175, p. 89.
 2. Ammon, Alfred, *Schmollers Jahrbuch*, v. 54, p. 93, 1930.

therefore very little known outside of the official accounts. The material is very scarce; sometimes a footnote discloses a chapter of his life. The sketch does not, therefore, pretend to be complete, but rather to throw light on those curves of life that determine the savant to think as he does.

The third and main part is the exposition of his type of work. An early motto of Sombart, "*Je ne suppose rien, je n'impose rien, j'expose,*" was the ideal guide throughout this study. Its aim is to let Sombart tell his own story wherever possible, in a language and manner comprehensible to pragmatically minded American readers, yet with no distortion of his way of thinking and not at the expense of accuracy in stating his views and approaches. What is changed in this study is Sombart's audience, not his thought.

This purpose imposed the hard task of making Werner Sombart's ideas, that bear the native prints of his thinking and are expressed in a highly individualised style, accessible to readers with a different habit of thought, accustomed to business-like expression, and animated by a pragmatic outlook on life. Interlacing explications, comparisons, and analogies are indispensable, and they are interwoven with Sombart's thoughts in a whole that aims to make difficult problems as easy as may be, and so to promote clearer understanding. If this aim is attained by the study, the toil will have been worthwhile.

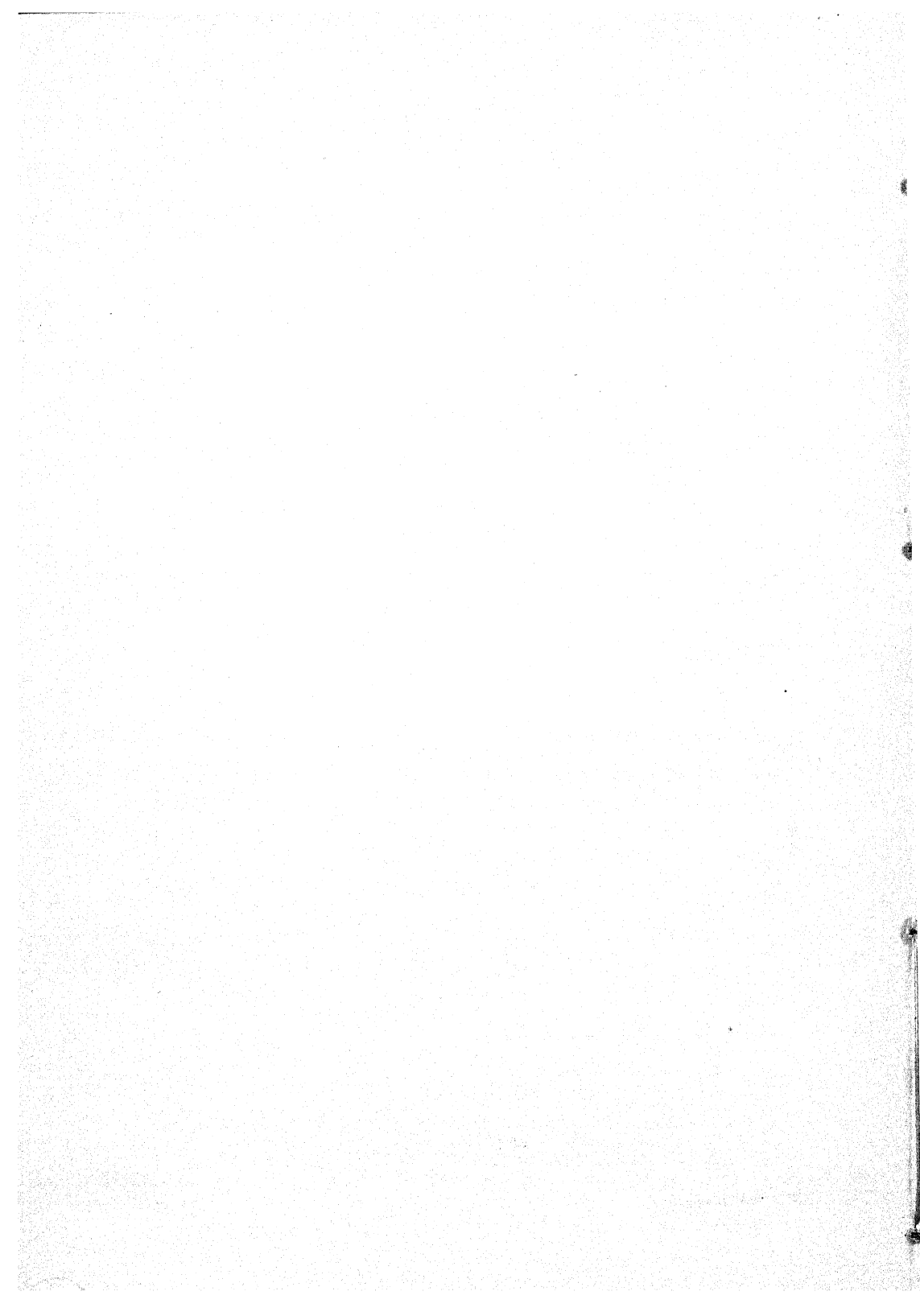
A word should also be added about the elaborate use of quotations. This was intentionally done as the best safeguard against a biased exposition of very fine shades of thought. For the same reason, the original text of the quotation is deliberately retained in the footnote in special delicate cases. All the translations whenever the indicated source is German are made by the present author.

Last but not least, I thankfully acknowledge my obligation to the Faculty of Political Science in Columbia University.

CONTENTS

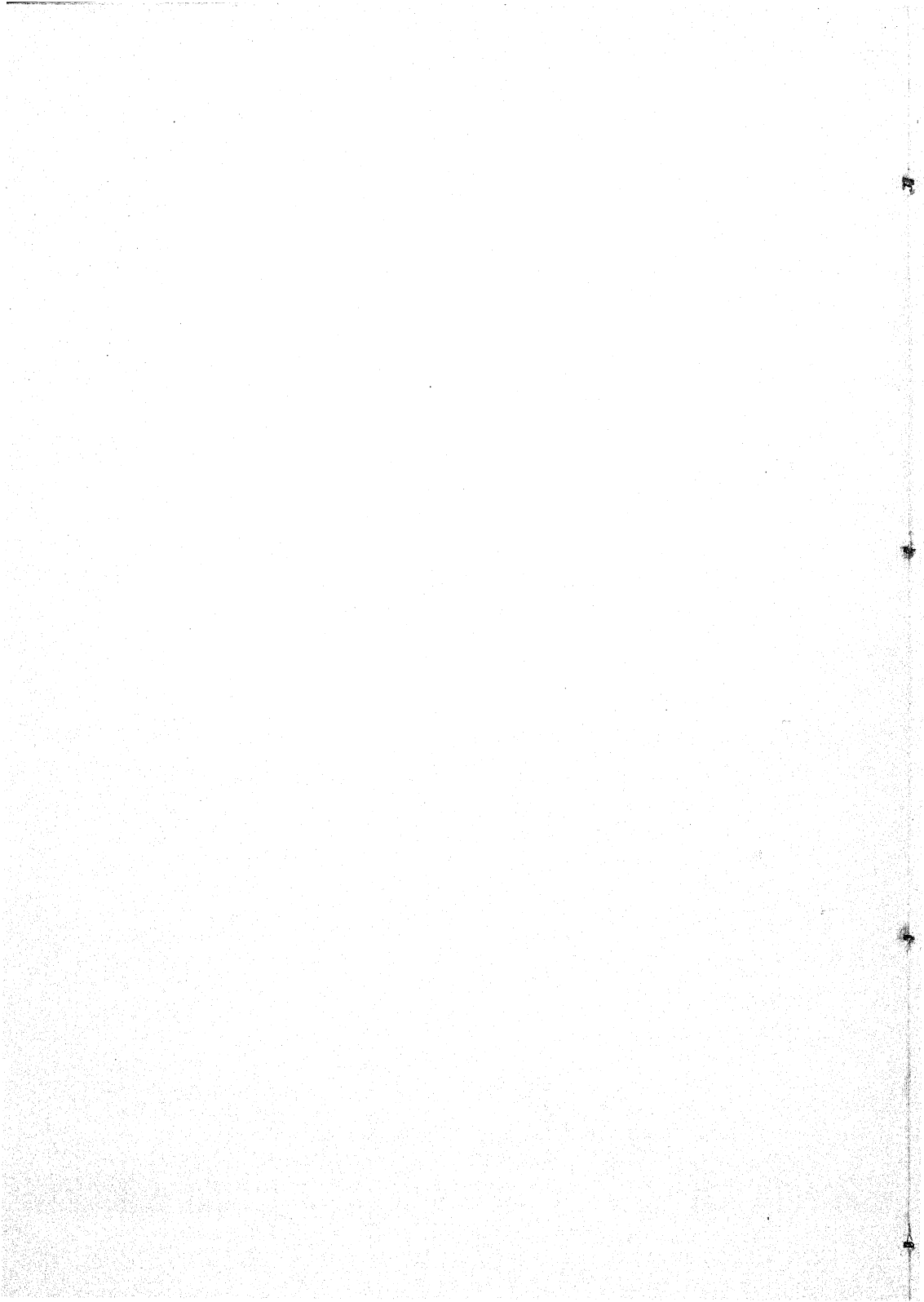
FOREWORD.

- I. The Time.
 1. The mind of the century.
 2. The historical setting.
- II. The Man.
 1. Sombart's life.
- III. The Type of Work.
 1. Social theory.
 - §1. The basic science.
 - §2. Anthropology.
 - §3. The institutional scope.
 - §4. The totality viewpoint.
 - §5. Sociology defined.
 - §6. The two types of sociology.
 - §7. The notion of the Spirit.
 - §8. Sombart vs. Marx.
 2. Method.
 - §1. Introduction.
 - §2. The normative type of economics.
 - §3. The natural-scientific type.
 - §4. The importance of the method.
 - §5. Nomologic vs. Noologic method.
 - §6. The notion "understanding".
 - §7. The dualism of knowing.
 - §8. Abstract understanding.
 - §9. Concrete understanding.
 - §10. Psychic understanding.
 - §11. Causality.
 - §12. Teleology.
 - §13. Objectivity.
 3. Scope.
 - §1. Economics defined.
 - §2. Heterodox vs. Orthodox economics.
 - §3. Nomenclature.
 - §4. Economics an empirical, cultural, and social science.
 - §5. Uniformity.
 - §6. Regularity and Laws.
 - §7. Heterodox economics and statistics.
 - §8. Economics and technology.
 - §9. The pragmatic approach.
 4. System.
 - §1. Introduction.
 - §2. The basic idea.
 - §3. The "Gestalt" idea.
 - §4. The economic system of Capitalism.
 - §5. The economic stage theories.
 - §6. The supremacy of the "economic system".
 - §7. The working ideas.
 - §8. Concepts
 5. Theory and history.
 - §1. Theory in natural sciences.
 - §2. The unifying idea.
 - §3. Theory in cultural sciences.
 - §4. The task of a theory in economics.
 - §5. General economics.
 - §6. Special economics.
- IV. Bibliography.
- V. Index.



Part I

THE TIME



1. THE MIND OF THE CENTURY

One of Sombart's leading ideas is that every historic epoch has its own mind, its own spirit, its own configuration, which it leaves precipitated in its institutions, monuments, and symbols. Thus, in the Declaration of the Rights of Man or in the Communist Manifesto, monuments of successive centuries, there speaks the mind of the given century respectively. In one case, human institutions are conceived as products of deliberation, of the "social contract"; in the other, as products of growth and change evolving necessarily to new and higher forms.

The nineteenth century is the period of transition from the conception of man as "homo rationalis" toward the conception of man as the product of a past, of a definite "*milieu*" with its special and spiritual peculiarities, as the bearer of the *Volksgeist*. The *Volksgeist* is the social mind of a nation conceived as an organic unity, whose state, law, art, and mores are the expressions of this inner peculiarity. The determining factor in human behavior was no more the "ratio" but the set of prevailing institutions as a product and manifestation of the nation's *Volksgeist*. Society was no more conceived as a mechanical aggregation of self-dependent elements, but as an organic unity, a whole. The whole, the entity received primacy over the parts. The atomistic approach of isolating phenomena and analysing the social forces into its simplest elements gave way to the sociological approach.

Thus it is not surprising to find that the great minds shaped at the end of the last century are chiefly concerned with making man the mid-point of their analysis; man as he is and not as he ought to be, man not conceived through any one-sided social theory which explains only part of his being, but the total man as expressed in the manifold of life. This represents a change in the conception of man which occurred in the nineteenth century—a marked reaction against the eighteenth century rationalism—and was brought about by the romantic movement. The greatest contribution of the romantic movement was to discover the real

man, with his longings and feelings, the totality of man, with all the irrational forces that are so largely responsible for human behavior. Herein were the romantics, the pioneers for the institutional conception of man.

Influenced by the romantic movement, Savigny, the great German jurist of the nineteenth century, founder of the historical school of jurisprudence which had a determining influence on economic thought, replaced the eighteenth century rationalism as the postulate of juridical considerations by the *Volksgeist* of any given *milieu* and nation, which produces the accepted set of institutions from which all people take their norms of behavior. Law, like language, is the product of a definite *Volksgeist*; hence no code of law can be adopted from one people and environment to suit another people in another *milieu*. Any social theory or law, if it is to be adequate, must be based upon the *organische, mannigfaltige, naturgemässe, echte, ursprüngliche, sittlichbeharliche, altertümliche, freigewachsene, historischgewordene, volkstümliche, nationale*, (1) which the *milieu* for which it is intended produces. The past determines the present. Since the *Volksgeist* evolves step by step through definite stages; law becomes necessarily time-conditioned. There are no universal, absolute legal principles and institutions for all time and all places, but their validity is bound to time and space.

The older historical school of economics inherited this trend of thought, although it was not always able to fulfill it. Roscher aimed to present abstract classical doctrines in a descriptive empirical way. Knies makes the distinction between natural and cultural sciences and thinks already that it is "a mistake in principle, to apply the exact natural scientific method to the historical sciences." (2) However, owing to the growing influence of the natural sciences, this far-reaching distinction was neglected for more than a generation. The younger historical school of economics was submerged by the positivistic trend of the time, and romantic enthusiasm took rather the form of *Vaterlandsliebe*. "Hochstens in den Tagen Luthers oder etwa in denen der Sachsische und Staufische Keiser war es ein solcher Stolz, ein Deutscher zu sein, als in dem halben Jahrhundert von 1858 bis 1888." (3) The conception of man remained the same, but his dependence on the whole, his belonging to the nation was now supported not only by the romantic philosophy, but also by Comte's and Spencer's ideas of the social organism.

In Sombart, romantic inheritance, positivism, and the naturalistic

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1. Rothacker, Erich, *Einleitung in die Geisteswissenschaft*. 1920, p. 46.
 2. Knies, Karl, *Die Politische Oekonomie vom geschichtlichen Standpunkte*. 1883, p. 7.
 3. Schmoller, Gustav, *Zur Literaturgeschichte der Staats- und Sozialwissenschaften*. 1888, p. vii.

trend of the second half of the last century are fortunately interwoven in a fruitful unity. His main concern is to understand actuality. The actual man, however, is a product of the prevailing set of institutions; hence the "institutional man" becomes a postulate in Sombart's analysis. Since the earth is divided into cultural regions of higher and lower grades and in each of them man lives under a different set of institutions, Sombart's institutional man is not a universal type of its kind, but a representative of the culture-region which is animated by the western European civilization, and ruled by the set of institutions derived from the prevailing economic system—Capitalism.

What marks the peculiarity of nineteenth century thought is according to Professor Edward Caird, compromise and reconciliation.

"The great controversies of the past have thus passed into a new phase, in which absolute statements pro and con have become, as it were, antiquated; and the question is no longer whether a particular doctrine or its opposite is true, but what are the elements of truth and error in each of them, and how we can attain to a comprehensive view of things, in which justice is done to both." (4)

What was largely responsible for this state of mind was the idea of organic unity and the idea of evolution. The latter was first conceived in terms of pure thought by Schelling and Hegel and later in the realm of experience by Darwin. "We may, therefore, fairly say," goes on Professor Caird, "that these ideas have been the marked ideas of the century, the conscious or unconscious stimulus of its best thought." In Goethe or Hegel, Comte, Darwin or Spencer, we find the ideas of organic unity, evolution and reconciliation. Even the Marxian system of thought is scientifically an evolutionary reconciliation of antagonistic forces inherent in the economic system, resolved in the future classless socialistic society. It is therefore not surprising to find these ideas active in the background of Sombart's thought.

The idea of organic unity is interwoven with all his prime conceptions. Sombart is no longer content to regard the whole as a mere mechanical summation of its parts; he is not concerned with isolated facts, but with connected systems, complexes, wholes.

"It is of primary importance for the historian to realize that, whether he is dealing with the conduct of an individual, or a political situation, or a number of successive events, he is concerned not with isolated facts but with connected systems (Ganze). In and for themselves, neither Cromwell, nor Magna Charta, nor the World War can be considered objects of history. They are mere links in a chain, mere units in a series. Only as

4. Caird, Edward, *The Progress of the Century*, p. 150.

parts of a greater whole, and in relation to that whole, do they acquire any meaning. History has for its subject-matter an infinite number of such 'wholes' or connected systems. We can limit them in point of time—e. g., the Renaissance—or in point of content—e. g., Banking (speaking here of Banking *qua* Banking); or we can take geographical boundaries into account—e. g., the City of London. The historian, then, must bear in mind that he has to deal with those complexes, 'wholes,' and with the causal connections in which the actual facts of history have taken shape, and to consider that the value of a historical fact depends upon its relation to one of such 'wholes.' Each of the latter, moreover, is a subordinate part of, and obtains significance from, some greater and more comprehensive 'whole.' Ultimately we might expect to reach the all-embracing 'whole' of Universal History and approach the riddle of human existence. But history is not equipped for handling so vast, so intangible a problem. The significance of human history is a question that philosophy alone is qualified to answer. Science dares not to be so ambitious." (5)

The concept of evolution likewise underlies Sombart's work, but whereas there is an uninterrupted continuity in the sphere of nature, in the sphere of culture the evolution runs in cultural cycles. Cultures arise, mature, grow old and decay. There is no straight-line evolution in the sphere of culture, but a morphology of distinct cultures without inner connection. At times he is more explicit in this, expanding a conception of evolution based on the psychological law of alternation peculiar to the realm of culture.

"In the succession of the economic system certain regular sequences can be observed. These sequences are based on psychological laws in so far as there are immanent in a given economic system forces that are responsible for the emergence of its successor. The way in which economic aristocracy has been followed by economic democracy and economic democracy by economic aristocracy shows this most plainly. The course of economic history is clearly marked by the alternation of the two types, and there seems to be something inevitable in this continual interchange. It may be that here we can formulate an evolutionary tendency. The following are the historical facts which reveal (at least for European economic life) this rhythm of a regular alternation between the two. (1) Economic Democracy: the primitive economic arrangements prevailing in Europe; (2) Economic Aristocracy: the economic arrangements prevailing among the nomad shepherds; (3) Economic Democracy: the village community; (4) Economic Aristocracy: the Manorial system; (5) Economic Democracy: the handicraft system; (6) Economic Aristocracy: capitalism. It seems as though this aristocratic period is in turn to be succeeded by a democratic one. There are certainly unmistakable signs pointing that way—the growing influence of the Trade Unions, the progress made by the co-operative movement, the increasing restriction which protective legislation imposes on economic freedom, the new conceptions of public administration which have permeated both central and local authorities, etc." (6)

5. Sombart, Werner, *The Economic History Review*. V. II, No. 1, p. 2.

6. *Ibidem*, pp. 51-16.

The notion of reconciliation is of prime importance in Sombart's thought, because his only aim is to explain what is. Since there is a certain reason for every existence, he retains everything that is, embodying all in a comprehensive and remarkably elastic system with the sole pragmatic aim of explaining the "why" and "how." There is no other economist in the history of economic thought who has reconciled so harmoniously, past and present, individualism and universalism, rationalism and empiricism, theory and history, classical and historical economics, subjective and objective value theories, at the same time remaining scientist and artist. "Not often is it, that the gift of an artist combine themselves harmoniously with the qualities of a savant. Sombart was at all times both." (7)

By the second half of the last century, the romantic movement had experienced a setback, owing to the tremendous progress of the natural sciences. Everything tended to exactness and mechanical precision. These methods, if applied in the realm of cultural sciences as positivism undertook to do, promised a wide and sure success. It seemed in the beginning that knowledge could be achieved in the realm of cultural sciences with the same absolute certainty as in the natural sciences. The associational psychology was the prime example. John Stuart Mill's "Logic" was published in 1843. This attractive mixture of liberalism, history, philosophy, and economics stirred the German interest of the mid-century. It is through this indirect way that Comte entered Germany, and Positivism became predominant in the last quarter of the nineteenth century. The positivistic method as applied to economics manifested itself most forcibly in Karl Menger's "Untersuchungen über die Methode der Sozialwissenschaften und der politischen ökonomie insbesondere," 1883. Gustav Schmoller, who revolted against Menger's abstract isolation procedure, was himself decidedly under the influence of the natural sciences. The reason why Schmoller did not set up any laws, the highest aim of natural sciences, was not because he rejected their method but because he was too much of a historian, and still thought he did not have enough material for inference. As Schmoller himself explicitly states:

"Science has by all means the necessity to trace back the manifold variety of phenomena to ever simpler elements; science requires ultimately absolute simple starting points for the multiplicity of life and if it had these as actual knowledge it could deduce scientifically the whole of existence. But with the humble fraction which we know, we are not that far yet." (8)

For a while it seemed that Positivism had conquered human thought forever. Soon, however, it became clearer to thoughtful minds that the

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7. Wiese, Leopold v. *Kölner Vierteljahres hefte für Soziologie*, Heft 3-4, 1933, p. 252.
 8. Schmoller, Gustav, *Zur Literaturgeschichte der Staats- und Sozialwissenschaften*, 1888, p. 38. "Die Wissenschaft hat allerdings das Bedürfnis, von der

associational psychology which provided a basis for the older experimental psychology could not explain the higher forms of mental life, and that the natural science procedure is of an entirely different character from that which has to be applied to cultural sciences. As a reaction against the application of the natural science method in the realm of cultural sciences there appeared Wilhelm Dilthey, whose date of birth is symbolically near to the deaths of Hegel and Goethe. He arose against the associational psychology where the mechanistic procedure manifests itself most forcibly. The associational psychology, founded in the fatherland of Newton, by Hume and Hartley, and which reached the status of a system in John Stuart Mill's "Logic," "goes back . . . to the ultimate elements which are also supposed to be found in the soul. These are the Sensations which correspond to the electrons in physics, to the elements in chemistry and to the cells in physiology, . . . the movement of these ultimate elements brings about the ideas." (9) Dilthey charged the older experimental psychology with uprooting man from his social existence and *milieu*, basing mechanistic analyses on an abstract individual. Hence it was never able to reach and emphasize the higher forms of mental life, the noble, the individual, rooted in the soul of a nation. Wilhelm Dilthey's "Einleitung in die Geisteswissenschaft" was published in the same year as Menger's "Untersuchungen," and, posthumously, he achieved great influence. Dilthey objected not only to Menger, but also to Schmoller, who changed the procedure from the abstract theoretical to the descriptive realistic but did not relinquish the natural science method. Hence he maintained that the historical school was in reality an antiquated school. Knowledge was divided, according to Dilthey, into two parts: the natural sciences and the cultural sciences. The last centered around history and psychology and stood therefore as the antithesis to the natural sciences. Object and Subject are here identical. The subject, man, seeks to understand the object, past or present human behavior. The subject has a human mind, the object is a product of the human mind, both have mind

tausendfältigen Mannigfaltigkeit der Erscheinung zurückzugehen auf immer Einfacheres, sie will für die Mannigfaltigkeit des Lebens zuletzt absolut einfache Ausgangspunkte, und hätte sie diese als wirkliche Erkenntnis, so könnte sie von hieraus das ganze Dasein wissenschaftlich ableiten. Aber so weit sind wir bei dem geringen Bruchteil dessen, was wir wissen, noch nicht."

9. Sombart, Werner, *Die drei Nationalökonomien*, p. 110. Die Assoziationspsychologie, ". . . geht,—und das ist das, was ihr Verfahren als naturwissenschaftliches, kennzeichnet—ebenfalls auf 'letzte Elemente,' die sich auch in der Seele finden sollen, zurück, das sind die 'Empfindungen,' die also den Elektronen in der Physik, den Elementen in der Chemie, den Zellen in der Physiologie entsprechen, beobachtet deren Bewegungen und ordnet diese in Formeln, den sogenannten 'Gesetze,' Die Bewegung dieser letzten Elemente bringt die 'Ideen' hervor."

in common; therefore the object is to be comprehended through similar inner experience on the part of the subject. Dilthey's main task was to find the *logos* in the *psyche* as the cause of uniformity in human behavior, and to build up an empirical system of cultural sciences with its own adequate method. He opposed metaphysics as well as positivism; stressed mostly the totality, the whole of human experience and out of this whole he tried to interpret human behavior. Dilthey's method found successful application in the realm of cultural sciences through his students. Max Weber originated the *Verstehende* sociology; Spranger originated the *Verstehende* psychology; and Werner Sombart the *Verstehende* type of economics. ✓

2. THE HISTORICAL SETTING.

Turning toward the mid-nineteenth century in Germany, we find that the classical type of economics, planted in Prussian soil, failed to meet the needs of the new environment. Germany's national economy was far from the English level of development. Instead of early Capitalism, which already prevailed in the British Isles, here was still alive the good old *Volksgeist*. Human behavior was not dominated by pecuniary, acquisitive motives and the *homo economicus* was absent as yet. The doctrine of free trade was at that time opposed to the German interest, just as it favored the English interest. The classical schemata were working rules for the prevailing time and place. The classical economists could explain, "more or less" what was going on in the British Isles by granting thirteen suppositions within two pages.⁽¹⁰⁾ The classical schemata failed, however, to explain what was going on in Germany, because the object of thinking in classical economics was the British actuality, the British data; and, applied to the German data, it miscomprehended the trends of the time. For example, classical economics saw here, as in England, the role of the state in economic life as that of a "nightwatchman." But it failed to take into account the differences in the social structure and leadership between England and Germany. In England, a powerful manufacturing class dominated social life and assumed the leading role, while, in Germany, on account of economic backwardness, the *Bürgertum* was small and the divided nation needed leadership more than ever. It was left to the state, advised by the professors, to undertake the tone-giving initiative in the whole realm of social life. The historic role of the state became not that of a "nightwatchman" but that of an intimate, physical and moral force, tying the internal and external life, wealth, and fortune of the nation into an energetic, vital, organic unity of which the individual was an integral part. And to those last Mohicans of *laissez-faire*, who still preach that the state should keep out of business, may it be pointed out that Germany's magnificent rise was largely due to wise state interference. The Napoleonic wars which interrupted the British supply of manufactured goods fostered the industrial revolution. Prevailing modes of production began to break down, and a new outlook, a new economic spirit emerged. Dissolution of the barriers inside, protective tariffs for the young industries against rivalry from outside, communication, transportation, all this was to be achieved by a strong and united state.

In the last quarter of the nineteenth century, capitalism began to

10. Ely, Richard T., *The Past and Present of Political Economy*, 1889, p. 11.

advance rapidly. Germany's transition from one economic system to another became apparent. Towns and industries sprang up and villages declined. Changes occurred all around. The state faced the heavy task of guidance and *Staatswissenschaft* was supposed to explain how and why those changes came about, and forecast the approximate future in the light of the past. History became *die Hebamme der Zukunft*. Schmoller frequently enlightened Bismarck and the latter assured the University professor "er sei eigentlich auch Kathedersozialist, habe bisher nur noch keine Zeit dazu gehabt."

"There is doubtless a connection," says Professor Wesley C. Mitchell, "between the emergence of the latter types of economic theory and the development of public affairs." (11) It is always in the twilight of history, when economic and social orders are changing, that we are provoked to search for the peculiarities of the past, in order to be able to ascertain the continuity of the trend, "the red thread of history." So was it with the origin of the historical school, and the same is true of the contemporary institutionalism. As Professor Mitchell pointed out, in 1914 the institutional type of economics was a "rare form of mental aberration." But during the war, the government faced the necessity of adjusting and changing economic institutions. These activities required a wealth of quantitative information. Data were collected, blueprints laid out, and a new outlook emerged. "The institutional changes then effected, though intended to be temporary, have made a deep impression upon thoughtful minds and shifted the perspective in which men see the future." (12)

This similarity in circumstances and aims reflects the foregoing spokesman of institutional economics as the contemporary Schmoller. As Professor Schumpeter writes, referring to Professor Mitchell's presidential address before the annual convention of the American Economic Association in 1924, "... vom lebenden Schmoller, seinen wirkenden Botschaft ist hier eine Rede." (13) The strength of the historical school, as well as that of Veblen, the founder of contemporary institutional economics, lies in their criticism of the orthodox type of work, in their realization that no valid theories can be constructed on the basis of hypothetical assumptions and presuppositions. In Sombart, the historical school as well as the whole institutional approach found its true constructive significance. "Collection," "Classification," and "Enumeration" of facts were but preparatory work, and in themselves without profound significance. Schmoller could not explain the single fact for the lack of a definite theory in the light of which facts receive their meaning. Unlike Gustave Schmoller, Professor Wesley C. Mitchell is guided by definite views on the present

11. Mitchell, Wesley C., *The Trend of Economics*, p. 19.

12. *Ibidem*, p. 26.

13. Schumpeter, Joseph, *Schmollers Jahrbuch, Jahrgang. 50, 1926*, p. 3.

economic system, closely touching those of Sombart. As he has himself stated on one occasion:

"To me it seems that I try to follow through the interlacing processes involved in business expansion and contraction by the aid of everything I know, checking my speculations just as far as I can by the data of observation. Among the things I know are the way in which economic activity is organised in business enterprise, and the way these enterprises are conducted for money profits." (14)

The man who understood economic phenomena with a genuine vision was Karl Marx.

"Marx saw the central problem of economics in the cumulative change of economic institutions; he knew how to use contemporary documents as an effective supplement of economic theory if not as its basis; and he showed how vital economic theory becomes when it is attached from this side especially if the current processes of change are projected into the future." (15)

Unfortunately for the trend of economics, the German professors failed to make the distinction between Marx, the theoretician, and Marx, the politician, and remained untouched by his approach, problem setting, and way of questioning.

"Contemporaries were too much scandalized by Marx's conclusions to profit by his methods. Indeed they were so intent on refuting his errors that they could learn nothing in the process. It remained for younger men to whom his conclusions were an old story before they opened 'Das Kapital,' to see the scientific possibilities in his way of working. But by the eighteen nineties, Sidney Webb in England, Werner Sombart in Germany and Thorstein Veblen in America were studying the evolution of economic institutions in a scientific as opposed to an historical or a propagandist spirit. Further they were claiming that work of this kind is economic theory." (16)

What fascinated Sombart in Marx was the latter's great talent of questioning.

"With his ingenious mode of problem setting, he showed economic science for a century ways of fruitful research . . . *Von seinen fragen leben wir noch heute.*" (17)

Because of political suspicion and prejudice, the younger historical school preferred the uncertainty of approaching economic phenomena without a definite theory till the empirical material should be adequate to set up a theory and test the Marxian conclusions. Not only did they escape

14. From a personal letter to Professor J. M. Clark not intended for publication. See J. M. Clark in *Methods in Social Science*, edited by S. Rice, p. 679.

15. Mitchell, Wesley C., *The Trend of Economics*, p. 18.

16. Ibidem.

17. Sombart, Werner, *Hochkapitalismus*, p. xix. "Mit seiner genialen Fragestellung hat er der ökonomischen Wissenschaft für ein Jahrhundert die Wege fruchtbarer Forschung gewiesen."

the Marxian conclusions, which could find justification when opposed with a set of arguments like that of the Austrians, but they remained blind to the Marxian approach, to the way of thinking in terms of economic systems. Schmoller, for example, never used the concept "Capitalism" as a unique historic individuum, as an economic system, because it had something Marxian about it, using instead "exchange economy." But as Sombart pointed out, exchange economy by itself means nothing. It can just as well be capitalistic as precapitalistic. Sombart maintains:

"All the social economists that did not know how to make this (the Marxian) mode of inquiry their own, were condemned to sterility." (18)

It was left to Sombart to complete the Marxian analysis. The closed connected system of institutional economics, as represented in its superiority in his magnum opus, "Der Moderne Kapitalismus," intends nothing else than to be a continuation and, in a certain sense, a completion of the Marxian work. (19) Needless to say, it is the theoretician Marx, and not the politician, whom Sombart follows and fulfills.

"As bluntly as I decline his *Weltanschauung*, . . . so unreservedly do I admire him as a theoretician and historian of capitalism." (20)

Marx, the theoretician, analysed the economic system of Capitalism, approved it as the mother of higher economic forms, and discovered the "inevitable road" that leads to the post-capitalistic system. Marx, the politician, founded the proletarian class movement, made the latter socialistic, and made socialism proletarian. Only by knowing which Marx Sombart follows can we understand him when he says that what makes Marxism a scientific doctrine has nothing to do with Socialism, because it is of a scientific nature and can just as well be represented by a socialist as by a nonsocialist.

The Marxian approach, the *verstehende* method and entire material amassed by the historical school are ingeniously interwoven with a previously unknown erudition, in all Sombart's works. Behind dead empirical material and data, he discovers the living spirit of the time, the super-empirical and irrational, which are so largely responsible for economic behavior.

18. Sombart, Werner, *Hochkapitalismus*, p. xix., "Alle Sozialökonomien, die sich diese Fragestellung nicht zu eigen zu machen wussten, waren zur Unfruchtbarkeit verdammt."

19. Ibidem. ". . . dieses Werk will nichts anderes als eine Fortsetzung und in einem gewissen Sinne die Vollendung des Marxschen Werkes sein."

20. Ibidem. "So schroff ich die Weltanschauung jenes Mannes ablehne und damit alles, was man jetzt zusammenfassend wertbetonend als 'Marxismus' bezeichnet, so rückhaltlos bewundere ich ihn als Theoretiker und Historiker des Kapitalismus."

Professor W. C. Mitchell, in his article on Sombart's "Hochkapitalismus," says:

"The quality of this output is as intriguing as its quantity is impressive . . . From its metaphysical foundations to its literary finish, his work is highly individualised. He has brought to light buried treasures of daily life in the Middle Ages. He has found new meaning in familiar materials. He has challenged conclusions which pass muster in our economic histories, and concepts accepted in our theoretical treatises." (21)

And Professor J. R. Commons, in his review, writes:

"Enthusiasm must be the response of anyone who studies this life work of Sombart. The wide range is astonishing. It does not pretend to be his own original researches in the documentary sources. He has rather put together in a truly 'genetic-systematic' manner the research of others. The volumes are an encyclopedia and bibliography of nearly everything and everybody that an economist wishes to know or guess about, from Charlemagne to Stinnes, from religion to war, natural resources, invention, over-population or the future of capitalism. His one grand synthesis of a thousand years rises to the level of genius." (22)

21. Mitchell, Wesley C., *Quarterly Journal of Economics*, V. 43, Feb., 1929, p. 304.

22. Commons, J. R., *American Economic Review*, 1929, V. 19, p. 78.

Part II

T H E M A N

SOMBART'S LIFE

76. Werner Sombart was born in Emersleben am Harz on January 19, 1863. Only four months old when Ferdinand Lasalle laid the cornerstone of the future labor movement by proclaiming the *Allgemeine Deutsche Arbeiterverein*, and fourteen years old when Bismarck passed the *Sozialistengesetz*, his later life oscillates symbolically between the ideological direction of these two poles.

His father, Anton Ludwig Sombart, was a self-made man, who rose from a poor land-surveyor to a wealthy manorial farm-owner, industrialist, and statesman. Schmoller describes him from personal acquaintance as "an adjusted striking character, a social reformer, and idealistic liberal," (23) interested in social affairs and, above all, in the welfare of farmers and farming, the *milieu* from which he emerged. In the veins of his ancestors circulated a fortunate admixture of French and Dutch blood, the fine qualities of which found full expression in the young Sombart. The elder Sombart was born and raised on the farm of his parents in Westphalia, the environment which, thinks Werner Sombart, determined the character and personal peculiarities of his father.

"Er blieb der Sohn der roten Erde sein Leben lang mit dem ausgeprägtem Sinn für festgesetzte Ordnung, wie er sich nirgends wieder so häufig findet als im Lande des Hofschulzen." (24)

Since one sees in his father what he feels in himself, those lines apply more to Werner Sombart himself, as he proves in his life work, whose steady concern is to bring "order", to clear up the "chaos", to bring a "system" into economic thought. A land-surveyor by profession, the elder Sombart had many an opportunity in the time of the *Gemeinheitsteilungen* to come in contact with the peasantry and their needs and, although later himself a great landowner, his sympathies remained with the peasantry till the end of his life. His thoughts and longings were to increase the peasant farm-holdings at the expense of the big manorial estates, since the former contribute more to the welfare of the nation,—a pioneering thought in his time, today shared by the best minds in agricultural economics. On this topic he wrote several studies and, in 1885, as the receiver of a big manorial farm, he put all his energy and wide experience to dividing it

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23. Schmoller, Gustav, *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 1903, p. 291.
 24. Sombart, Werner, *Biographisches Jahrbuch und Deutscher Nekrolog*, Bd. 3, 1898, p. 253.

into small holdings, and settled it systematically with a peasant colony that till today remains the most prosperous example of peasant colonization. In the revolutionary years of '48, he was mayor of Emersleben, a small town near Magdeburg, the birthplace of Werner Sombart. After holding the mayoralty for two years, he settled down as a gentleman farmer and founded a sugar factory. The rise of a sugar industry in an agricultural area marks a great advance in the intensification of farming. The quick transition of German agriculture to the highest forms of intensification was largely due to the rise of the sugar beet industry, and the latter was brought about by cheap Slavonic labor and by men of enterprising spirit and far-reaching foresight. The latter qualities were inherent in the elder Sombart.

As a land-surveyor, in his younger days he came in contact with different localities and people. What he observed as a farmer's son was always the needs of the peasant, community, and state. With the passage of time, he accumulated a rare combination of common sense and a profound knowledge of agriculture, farm industries, land-surveying, and economics. For his services on executive boards of various national organizations of German agriculture and the sugar industry, he was greatly esteemed and honored. In 1861 he became a member of the Prussian Diet, and in 1867 of the German Reichstag.

In this *milieu* was Werner Sombart born in 1863, and his early youth was passed on the manorial farm of his father. About his boyhood we know very little, except that he was tutored at home by private teachers. Several passages from his later life, however, indicate intimate ties to nature. Sombart's early youth passed amidst the organic panorama of a manorial farm of a half century ago in Germany, with its material, social, and technical unity and high degree of self-sufficiency, with its own spirit, codes of labor, and ethics, the perpetuated peculiarities of the individual estate transcending generations. It is fascinating to observe how this early youth determined his later outlook on life. Sombart's view of economics is unconsciously an abstraction of his father's estate—a going concern, an economy in the material objective sense, the ultimate unit in the subject-matter of economics.

Justus Liebig's discoveries in agricultural chemistry gave great impetus to scientific farm improvement. The enlightened farmers became absorbed by this trend, and Sombart's boyhood was surrounded by an abundance of opportunities to acquire a profound knowledge of agriculture that later lent his brilliant dissertation its home-made flavor.

Politics began to absorb the elder Sombart more and more, and, in 1875, he decided to retire from farming and industry, and settled down in Berlin to devote his full time to the work in Parliament. The young Sombart was then in his twelfth year. "The son grew amidst riches and the elegant luxury of metropolitan life. All the educational means of the time

were at his disposal." (25) He attended *gymnasium* at Berlin and Schlessingen. The air was then full of social struggle. Twice attempts had been made on the life of the old Kaiser, Wilhelm I; the *Sozialistengesetz* was passed, martial law was proclaimed, the social democrats were being persecuted. Bebel and Liebknecht made speeches in the Reichstag. The youngsters at school murmured what the older people talked about. At home, Sombart observed his father's reaction to all this and his keen interest in social policy and welfare. Sombart grew in years, as the social democracy in strength, and absorbed in his mentality the ideological trends of his time: the struggle of the two social classes representing the two economic systems, one in actuality and the other in ideal: Capitalism versus Socialism. The reality looked gray; the big cities were congested with proletarian masses in misery. The ideal, however, flourished in rosy colors, and gave free play to young Sombart's aesthetic nature, full of inherited liberalism.

After graduation from the *gymnasium*, Sombart entered the University of Berlin in 1882. The German Universities are by tradition the active centres of intellectual and social life. Two or three years older than their fellows in Anglo-American countries at entrance, the students of the German Universities enter with a maturity certificate of a *gymnasium*, which, in itself, is a selective process that reduces their number to a smaller group, physically and mentally mature enough for academic liberty. The University students are considered the vanguard of the nation, and the lecture hall reflects what goes on within the nation. The spirit of the time belonged socially to Marx, academically to the *Methodenstreit*. An intellectual controversy on Methodology is said to have occurred in Germany in cycles every ten years since the times of Kant. In Sombart's twenties, Dilthey revolted against the application of the natural scientific method in the realm of cultural sciences, and the famous controversy between Menger and Schmoller broke out. In the University of Berlin, as all over Germany, the faculty consisted of two types. As Schmoller puts it:

"The savants are split into two groups. The one half has the purpose of submerging itself in the impressions of the world and its phenomena, observing them, comprehending their genesis individually, sketching living pictures of them and analysing and explaining causally the people, their groups and correlations; these are the men of empirics, of induction and of descriptions; those who go into the Archives, their opponents say, those who are digging in dust. Their essential quality is an open eye toward the outside. The other half of the savants have, I might say, directed their view inward; their aim is to master rationally the given material, to comprehend homogeneously and to order systematically under concepts and principles. The core of their knowledge is speculative; they want to under-

25. Schmoller, Gustav, *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 103, p. 201.

stand past and present as a whole, and from this point of view to indicate the ways of the future." (26)

In the department of economics of the University of Berlin, these two modes of inquiry were represented respectively by Gustav Schmoller and Adolf Wagner, and the students were accordingly divided into two antagonistic groups, the *Schmollerianer* and the *Wagnerianer*. The former attended the lectures and seminars of Professor Schmoller, and saw in "Historism" the goal and method of economics; the latter took their work under Wagner and adhered to the deductive approach. Sombart attended both of them. The potential synthesis of theory and history was then originated. He agreed with the first in the realistic, empirical approach. He saw the needs of the time more than ever for the "living picture", when one has a thorough "look inward", when one "masters" and "comprehends" one's material under "homogeneous" view-points and, above all, when one "orders" systematically under fruitful concepts. For that one needs some sort of stationary conditions; one needs a static whole. The last, however, was contrary to the principle of evolution so brilliantly developed in Marx's *Das Kapital*, which left a deep impression on Sombart. At this point, Sombart hit on the Marxian concept of the "economic system". In this he found similarity in human behaviour and social conditions in definite economic epochs. Dividing the economic epoch into its homogeneous periods—for example, the economic system of Capitalism into "early," "full," and "late," parts, Sombart had almost those stationary conditions in which he could observe similarity in human behavior, order it under homogeneous concepts and principles, relate those smaller wholes to their larger whole, and build up a theory.

To be sure, Sombart is not likely to agree that in social science we can arrive at a theory only on the assumption of static conditions. If these conditions are hypothetical, the validity of the theory is also hypothetical. Sombart, as we shall see later, emphasizes economic life as determined by its actual moving forces, the spirit, the forms of economic

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26. Schmoller, Gustav, *Charakterbilder*, 1913, p. 280-81: "Die Gelehrten zerfallen in zwei Gruppen. Die eine Hälfte hat die Aufgabe, die Welt und ihre Erscheinungen auf sich wirken zu lassen, sie zu beobachten, ihr Werden in Einzelnen zu begreifen, von ihr lebendige Bilder realistisch zu entwerfen, die Menschen, ihre Gruppen und Zusammenhänge zu zergliedern und kausal zu erklären; es sind die Männer der Erfahrung, der Induction, der Schilderung; die, welche in die Archive gehen, ihre Gegner sagen, die, welche im Staube wählen. Ihre wesentlichste Eigenschaft ist das offene Auge nach aussen. Die andere Hälfte der Gelehrten hat—möchte ich sagen—den Blick nach innen gerichtet; ihre Aufgabe ist es, den gegebenen Stoff des Wissens rational zu bemeistern, einheitlich zu begreifen, systematisch unter Begriffe und Prinzipien zu ordnen. Der Kern ihres Wesens ist spekulativ; sie wollen Gegenwart und Vergangenheit als ein Ganzes verstehen und von solchem Standpunkt aus der Zukunft die Wege weisen."

organization, and the technology. These forces are themselves dynamic categories, yet allow us to mark the style of the time, the similarity of social phenomena, and make recognizable the general, their belonging to a common whole. It is by the light of this theory that Sombart is able to ascertain whether dynamic or relatively stationary conditions prevail at a given economic epoch, and he finds that, in comparison with the expansion of early capitalism, "late" capitalism tends to more stationary conditions. Thus, what in orthodox economics is an assumption, heterodox economics is trying to find out.

After Sombart's graduation from the University of Berlin in 1885, his health required a southern climate. Sombart went to Italy. There he attended the University of Pisa, spending two years in study and bringing back his dissertation, called *Die Römische Campagna*. This was a work in the spirit and tradition of his father, backed by a noteworthy knowledge of agronomy. "He traveled, saw early much of the world, and had very strong aesthetic and social-political inclinations," and became, in the words of Professor Gustav Schmoller, his teacher and friend for more than a generation, "a rich gifted nature, full of vigor, an entire, full personality; a gifted speaker, who writes exactly as he speaks." (27) Professor Leopold v. Wiese describes the character of Sombart's writing in comparison with the writing of the other great social scientists of Germany as follows:

"The two scientific disciplines, to which Sombart is devoted, Sociology and Economics, were in Germany at no time lacking in scholars that were not merely savants: Schmoller possessed the gift of painting the historical events of public life in a colorful fresco; Gothein himself had something of the mode of Renaissance men, whom he liked to picture; Adolf Wagner was a passionate speaker, in the grand style; from Max Weber flashed the lights of a ravishing temperament.—Sombart has something of all that, only he possesses, still more than the others, the lucidity of a clear style, the ability to lend architectural symmetry to the structure of thoughts, a stricter logic and dialectic, more ease, irony and charm." (28)

Sombart was one of the few University professors ever to have filled to its capacity, in a series of lectures, the Philharmonic Hall of Berlin.

In Italy, amid nature's beauty and society's misery, Sombart learned to sympathize with the Italian nation. "Everywhere the country of sunshine is darkened by social misery," he writes, and sees Italy's culture in danger because "her industrial proletariat is more destitute than any other, and the worst part is, that her rural population languishes in still deeper misery." Sombart, the German farmer's son, is very sensitive when there is "no storm-fast peasantry, only unsteady, uncertain, root-

27. Schmoller, Gustav, *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 1903, p. 201.

28. Wiese, Leopold v., *Kölner Vierteljahreshefte für Soziologie Heft*, 1933, p. 253.

less small holders and share-tenants," (29) in contrast to his native country, where peasants and farmers are rooted in the soil, and bound to it with hundreds of physical and moral ties.

It was this contrast that led him to undertake his first study in Italian agricultural conditions, *Die Romische Campagna*, and the same reason led him to his further topics. Sombart was fascinated by *Das Instinktmüssigsichere des Daseins*, (30) the absence of which provokes him to search for special causes. Although, in his first study, he showed special qualifications in agronomy, in his later life he never again made a study of agricultural conditions, because "the instinctive certainty of existence" was never questioned in the German peasantry, but it was questioned in the big cities with their labor masses. Hence Sombart studies the social conditions of these classes, the proletariat, the factory, the enterprise, till he arrives at the all-embracing whole, the economic system of Capitalism, where the instinctive security of existence is snatched from the masses. Returning from Italy in 1888, Sombart took his Ph.D. at the University of Berlin and entered the field of applied economics, becoming a counsellor at the Chamber of Commerce in Bremen, where he remained till 1890.

Turning back to the days when Sombart's mind was shaped, we find Professor W. Dilthey teaching at the University of Berlin. From Dilthey Sombart received the fundamental notions of his methodology. Some writers, mistakenly think that Sombart changed his mind and sought to win a connection with the meanwhile powerfully developing *Geisteswissenschaften*. (31)

Again and again Sombart states his views on methodology. The only difference is that most people write their books on methodology before they do their work, whereas Sombart first did a tremendous volume of research work and afterwards summarised his methodological experience. As far back as 1899, we can see him puzzled by the difference between the two approaches: the natural-scientific and the social-scientific. (32) In the former, man is only "the bearer of forces which attain application in the process of production." (33) In the latter, however, "Man becomes the midpoint of the analysis, man as producer, man as personality with his definite ability and will." (34) As years went on, notions similar to Dilthey's matured steadily in his mind. In 1909 we hear them more defini-

29. Sombart, Werner, *Archiv für soziale Gesetzgebung und Statistik*, v. 2, p. 280, 1889.

30. Sombart, Werner, *Das Proletariat*, 1906, p. 9.

31. Bülow, Friedrich, *Volkswirtschaftslehre*, 1932, p. 170.

32. Sombart, Werner, *Archiv für Soziale Gesetzgebung und Statistik*, v. 14, 1899, p. 5.

33. *Ibidem*, p. 2.

34. *Ibidem*, p. 4.

tely. The two large spheres into which science divides itself are *die Naturforschung und die Menschenforschung*.

"This distinction, which in its essentials coincides with the traditional division into natural and cultural sciences, seems to me therefore the correct divisions, because it brings out clearly the essential differentiation in human thinking." (35)

After becoming convinced empirically of the superior validity of his method through a life-long testing, he published his book on methodology, *Die drei Nationalökonomien*, calling it on the closing page the catalogue of his life. That means that through forty years of experimentation in research and teaching, neither the normative, nor the orthodox type of economics was adequate to approach actuality, till he arrived at his own heterodox type of work, calling it the *verstehende* or cultural scientific type of economics. Three successive stages in the history of economics which remained in coexistence were the three stages of his own fruitful scientific life. The first two are the children's diseases of his career, and their imprints are so slight that they cannot be traced with certainty except that they lie before the turn of the century, where a sharp wrestling of ideas goes on within Sombart.

Sombart started his social scientific career at a time when *laissez-faire* capitalism had brought the lower classes in Germany to destitution, similar to that prevailing in England around the end of the first quarter of the century. The inequalities in the distribution of the national income endangered the welfare of the nation. Schmoller, representing the national feelings of the rising middle class, became alarmed:

"The enormous changes in all economic and social forms of life, then spreading, now in full swing, led the German social scientists and the enlightened men of affairs from widely separated life-spheres and different parties to come together; the common tie was the protest against the imported Manchester theories, against extreme radicalism, and against the social democratic party." (36)

And the *Verein für Sozialpolitik* was founded. The aim of the *Verein* was to make accessible to the lower classes all the economic and cultural values from which they were excluded. From his seminar Schmoller sent

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35. Sombart, Werner, *Das Lebenswerk von Karl Marx*, 1909, p. 37. "Die beiden grossen Gebiete, in die die Wissenschaft zerfällt, sind die Naturforschung und die Menschenforschung, oder wie man auch unterscheiden könnte: die Körper- und die Seelenforschung, denn natürlich handelt es sich bei der Menschenforschung um jene Wissenschaften, die die menschliche Seele zum Objekte haben (während der menschliche Körper ja Gegenstand der Naturforschung ist). Diese Unterscheidung (die sich im wesentlichen wohl mit der althergebrachten in Natur- und Geisteswissenschaften deckt) scheint mir deshalb die richtige Einteilung zu geben, weil sie die wesentlichen Verschiedenheiten des menschlichen Denkens zu klarer Gegenüberstellung bringt."
36. Schmoller, Gustav, *Schriften des Vereins für Sozialpolitik*, v. 132, p. 1.

out his Ph.D. candidates to field and factory "um unverdrossen in Gespräch mit Unternehmer und Arbeiter durch persönliche Umfrage, weit-schichtig angelegte Errkundigungen der Dinge, wie sie sind, nachzufra-gen," (37) to gather firsthand data on the extent of the changes then effected by the rise of capitalism. Amelioration of social conditions became an immediate necessity. In its demand for social reforms, the *Verein für Sozialpolitik* gave voice to the needs of the working classes, who themselves were silent as yet. Public opinion moved the state in this direction, and the "Iron Chancellor" introduced, for the first time in history, compulsory labor insurance, which later spread, in one form or another, throughout the civilised part of the world. Economics was supposed to guide and check social policy; and Sombart's first articles in Braun's *Archiv* move in Schmoller's direction—in the direction of welfare economics and ethical norms. The main purpose was to shed light on the social conditions of the lower classes, "of whose life and suffering we still possess so little definite knowledge," for immediate practical purposes. On the road to this goal, while handling social statistics, Sombart became aware that "everything in our century with respect to production, even its statistics, is *couleur de rose*; everything that concerns distribution gray and gloomy," (38) and discovered that the discrepancy was due to the application of classical doctrines.

"By what do they still believe that welfare of the nation is mainly measured? Overwhelmingly by the course of production, therefore . . . production statistics . . . But only on the threshold of distribution begins the judgment of welfare. Therefore, inquire more after the distribution of the national product." (39)

With the retirement of Bismarck, the *Sozialistengesetz* was repealed and more liberal times arrived. Miquel, a former executive member of the *Verein für Sozialpolitik*, became minister. The other members of the cabinet were in sympathy with social reforms. Economists began to look beyond practical prescriptions for immediate ends. Sombart writes in 1893:

"No more does the immediate influence on daily politics count as the main purpose of the science, but the knowledge of the main trends of our scientific and social development, the purely theoretical questions, where from and where to, are in the centre of social scientific interest." (40)

The liberal times, however, did not last very long. The cabinet changed, and, between 1894 and 1899, a reaction in defense of the Junkers and

37. Sombart, Werner, *Archiv für soziale Gesetzgebung und Statistik*, Bd. 2, p. 260, 1889.

38. *Ibidem*.

39. *Ibidem*, p. 259.

40. *Ibidem*, v. 6, p. 178, 1893.

heavy industry set in. Once more the social policy and welfare of the nation was the chief concern of the intellectual and professional class. The reason why the intellectual and professorial class felt so strongly, and more than in any other country, the responsibility for the nation's fortune, lies in the fact that most of them came from the middle class, or were descendants of self-made men. They combined vital contact with the lower classes with their authoritative position as members of the élite. Hence, they were the only ones to think in terms of the nation's needs as a whole, and, owing to the nation's high esteem for science, their words were of great weight. It is for this reason that Bismarck feared the socialism of professors and ministers more than that of the socialist party. Sombart solved this dualistic dilemma by adopting a rigid distinction between economics the science and economics the art. The first is cultivated for the sake of *art pour art*, with no practical value, except what comes from making available tenable authoritative knowledge, view-points and schemata for economics the art. Therefore, all individual value judgments are excluded; strict objectivity prevails in economics the science. In economics the art, norms may arise, but they are not individual, rooted in the soul of the scholar, but superindividual, lying in the inner logic of the subject-matter itself. In this sense, when Sombart, together with Max Weber, took over Braun's *Archiv* in 1904, he changed the name to *Archiv für Sozialwissenschaft und Sozialpolitik*. But the two disciplines of the same field, the science and the art, are to be kept separate whether by division of labor between savants or within the mind of the individual savant. As against the historical school, Sombart was the first prominent German economist to exclude ethics from economics, and found strong support in Max Weber and others. At the Vienna congress of the *Verein für Sozialpolitik* in 1909, where the famous debate on this question took place, Sombart and Max Weber rejected vigorously any normative interference that destroys objectivity of knowledge. Their speeches "made history," especially Sombart's, in which he calls for exclusion of all value-judgments from social sciences "so long as there is no scientific proof as to whether blondes or brunettes are prettier." (41)

The rise of the revolutionary movement coincided with Sombart's youth. "The writings of Lasalle and Marx influenced him greatly, . . . profoundly absorbed by the epoch-making socialists whose grand conceptions met his speculative needs," (42) he became a "convinced Marxian," and gave a good deal of his life "to fight for Marx." (43) Since Sombart was never politically active, with the exception of his period of residence

41. Sombart, Werner, *Schriften des Vereins für Sozialpolitik*, v. 132, p. 572.

42. Schmoller, Gustav, *Jahrbuch für Gesetzgebung Verwaltung und Volkswirtschaft im Deutschen Reich*, 1903, p. 291.

43. Sombart, Werner, *Das Lebenswerk von Karl Marx*, p. 3.

in Breslau, where he was interested in the activities of the town council, his fighting for Marx consisted of his "most zealous endeavor . . . to clear" the Marxian scheme "from all accessories . . . to emphasize its essence, and to interpret this essence so that it may become compatible with reality." And, like a pious Marxian, he was happy to obtain confirmation from the then gray old apostle Engels that, in his article (44) on the first volume of Marx's "Capital," he interpreted the Marxian Gospel more or less in the right way. (45) Here are the actual words that Engels himself uses about Sombart:

"It is the first time that a German University professor has achieved the feat of seeing in Marx's writings, by and large, what Marx actually said, and that such a one declares that criticisms of Marx's system cannot be conceived as a refutation—let political polemicists bother with that—but as a continuation and further development." (46)

Schmoller writes about Sombart's Marxism as follows:

"With his strong self-consciousness is correlated the fact that he never made a secret of his Marxism just as in general he had the energy and courage to express his own opinion, heedless of career. This made it hard for him to rise to the position of an ordinarius." (47)

It is for this reason that he got his appointment not in Berlin, but in the "exile" of Breslau, in 1890. At the University of Breslau, Sombart was appointed an associate professor at once, something unusual at German Universities where the academic career begins with the necessary stage of a *Privatdozent*. A former student of Sombart, the great biographer, Emil Ludwig, gives the following lines on Sombart in Breslau:

"Werner Sombart was then approaching his thirties and a revolutionary, through his reputation as a Don Juan he became an object of curiosity to the students, of holy terror to the citizens, and of distressful emotions to the faculty. He had a splendid delivery and was, or appeared to be, a socialist, which was prohibited in Prussian universities and therefore doubly fascinating. I saw in him a new type of the combination: man of the world and artist, for undoubtedly he was both; and though not supposed to write poems, he went driving in Byronic fashion with the handsomest opera singer, sat lolling in his seat at concerts, passing his delicate hands through his long lustrous black hair. And yet this was the man who could give a definition with classic lucidity and without wearying his audience for one whole hour; he understood how to resolve the most difficult array of data into concepts, and concepts into pictures. He was the best teacher I ever encountered." (48)

44. *Brauns Archiv für Soziale Gesetzgebung*, Vol. VII, Heft 4, 1894.

45. *Die Neue Zeit*, 14 Jahrgang, Erster, p. 9, 1895-96.

46. *Ibidem*.

47. Schmoller, Gustav, *Jahrbuch für Gesetzgebung Verwaltung und Volkswirtschaft im Deutschen Reich*. ("Ordinarius" means a full professor.)

48. Ludwig, Emil, *Geschenke des Lebens*, 1931, p. 125.

For his progressive mind and attempts to introduce new methods in teaching, Sombart soon became known throughout Germany as the "red professor." (*) Especially irritating to the faculty were his attempts to bring the University students into closer contact with actual economic life by making excursions with his classes through mines, factories, farms, etc. Personally, he paid rather heavily for these attempts by losing the chance for an appointment to a vacant professorial chair at Freiburg and later a similar opening at the University of Berlin. Sombart taught in Breslau for nearly sixteen years, and this provincial seclusion was favorable to the quantity of his works. In 1906 he accepted a call to the newly-founded College of Commerce at Berlin, where he taught till toward the end of the war. The College of Commerce is an undergraduate institution with no right to confer the Ph.D. degree. Most of the graduates enter the field of business and not of teaching. This is one of the reasons why so few of his students are in academic positions. In 1917, Sombart accepted a call to the University of Berlin to occupy the chair of his former teacher, Adolf Wagner. Thus he received academic recognition as an *Ordinarius* comparatively late in relation to his scientific contributions.

In its advance toward the end of the century in Germany, Capitalism did not take the exact routes prescribed by Marx, and many of his theories became untenable. The shifts in the location of the population, the rise of over-congested, industrial centers, increased the misery of the lower strata. Social legislation and reforms became, as we have seen, an immediate necessity. The Social Democratic party could not become a powerful movement unless it took the initiative to lead the class war for immediate, practical ends. The high ideals of its early days were forgotten. The Social Democratic party became a reformist party. The *Endziel*—socialism—became remote: the "movement" became "everything," the "ultimate goal" became "nothing." (49) Revisionism became the dominating ideology of the socialist party, around the turn of the century. Sombart meanwhile became *Königlich-Preussischer Universitäts-professor* and began to feel the contradiction within himself. He was born and raised in Western civilization and loved it above all for its individual freedom. The socialist movement, moreover, in the process of realisation, in daily reality, lost its original high idealistic charm. In Sombart's aesthetic and artistic nature there ripened a conflict between "reason" and "feelings," which remained with him for the rest of his life, and made him waver in his views on Marxism. Sombart, as we have seen, reconciled this contradiction, separating "reason" and "feelings" within the soul of the individual scholar.

(*) Incidentally, Marx in his time made a similar furor with his writing among the intelligenzia of London, receiving a similar title as the "red doctor."

49. Bernstein, Eduard, *Die Voraussetzungen des Sozialismus und die Aufgabe der Sozialdemokratie*, Stuttgart, 1904, p. 109.

"I was then a convinced Marxian and was at the same time *Königlich-Preussischer Universitätsprofessor*. I have tried to solve the inner conflict that resulted from this contradiction by this perception that I had: Value judgments do not belong in a science; hence I can carry on scientific work independent of my personal beliefs." (50)

As a theoretician of Capitalism, Sombart achieved objectivity (*Wertfreiheit*) unchallengeably, but as soon as it came to Socialism—although, in his connotation, Socialism is Anticapitalism—he failed, as we shall see later, to separate Sombart the man, with his moods and feelings, from Sombart the objective scientist. His little red booklet of 125 pages, "Socialism and the Social Movement in the Nineteenth Century," appeared in 1896 as a result of lectures on Marxism, delivered in free Switzerland, and has since then conquered the world with ten revised editions and twenty-four translations into different languages. This was followed in 1924 by a sequel in two heavy volumes, called *Der Proletarische Sozialismus*. Written after the world war and the civil war, in the midst of inflation and other after-effects of the war upon Germany, in the atmosphere of Oswald Spengler's "Decline of the West," it revealed Sombart the man, with his moods and feelings. The latter dominated Sombart, the objective social scientist. Former gods are shattered to pieces, new ones not yet found. The former idol Marx became here a "Godless," "inner-torn," "liver-sick," "failure in life." Marx, to "fight for" whom he gave the best days of his life, on account of whom he had taught fifteen years in the "exile" of Breslau, and had been retarded in promotion, became now the cause of all evil, of an idealless, godless, class-war movement called the *Proletariat*, which is nothing else but "Bentham and cotton-dust." Sombart, who was in 1905 the most widely read author in Russia after Marx, (51) who trained generations of later makers of the Russian Revolution who brought Marxism more friends than any party disciple of Marx, failed for the second time in his life to remain superior to his immediate environment. The first time was during the war when, animated by Prussian militarism, he wrote his *Händler und Helden*,—a work that we would rather credit to Sombart the citizen than to Sombart the scholar, since, just as there were no scientific means in 1909 to prove whether or not blondes were prettier than brunettes, so there were still none in 1915 to prove that the British are the merchants and the Germans

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50. Sombart, Werner, *Schriften der Deutschen Gesellschaft für Soziologie*, Bd. VI, 1929, p. 25. "Ich war damals überzeugter Marxist und war zugleich königlich preussischer Universitätsprofessor. Ich habe diesen inneren Konflikt, der sich aus diesem Widerspruch ergab, dadurch zu lösen versucht, dass ich diese Erkenntnis hatte: In die Wissenschaft gehört die Wertung nicht; ich kann also Wissenschaft treiben ganz unabhängig von dem Wertestandpunkt, auf dem ich stehe."
51. Wiese, Leopold v., *Kölner Vierteljahreshefte für Soziologie*. Heft 3-4, 1933 p. 254.

the heroes. At any rate, in economics the business man remained, and has been up to now, the hero of its subject matter; and it was Sombart himself who discovered and glorified the heroism of the entrepreneur in his *Bourgeois* only two years previous to *Händler und Helden*. The second time was after the war, when the memory of fresh battlefield experience, coupled with inflation and misery, developed intellectual sentiments toward God, peace, and love. Former commanding officers, oppressed in their minds by horrors experienced on the battlefields, called for love and brotherhood. Since sentimentality and soft-heartedness is not native to born Junkers and the nation as a whole had for centuries been educated *die Hände an die Hosennaht zu halten*, these manifestations meant that the soul of the people was affected. A nation received a democracy for which it was not mature enough, and, as subsequent events have confirmed, was not even born. Hence, the people lost their equilibrium, blaming the complicated economic situation of postwar Germany on its democracy. And, regrettable to note, even such a mind as Sombart's was lost in this intellectual chaos. In his paper on *Klassenkampf* before the *Kongress für Sozialpolitik* in 1924, nothing is left of *Wertfreiheit*, but, on the contrary, subjective judgments, sentiments, longing, and feelings dominate:

"The spirit of our great dead hovers about us when we pose here for discussion a question such as that of class-war. They too would have spoken of it in the same way as I did, though, perhaps, with slightly different words." (52)

It would be more to the purpose for the composer or artist to disclose on strings or in paint what cannot be said in prose: what must have gone on within the soul of the savant in intellectual seclusion, full of inherited idealism, amid bookshelves remembering the past glory of the *Kaisserreich*, listening to the revolution as it wrecks values and barricades, and to the pain of the newborn Republic. Imagine the intellectual fever within Sombart on the night when he wrote the paper on *Klassenkampf*; a fight between Sombart the savant and Sombart the man, the artist with his vivid feelings. The latter, the real, conquered, logic was destroyed, data disregarded, his own past scoffed at. The soul received supremacy in the seeming moment of eschatology; it appeals to its only ultimate source, God and love—not the real, earthly love, since reality is gray and prosaic, but heavenly love, *Himmliche Liebe*, is the last "way out." An intellectual atmosphere of this kind is responsible for the following passage from the

52. Sombart, Werner, *Schriften des Vereins für Sozialpolitik*, V. 170, p. 26; 1925. "Der Geist unserer Grossen Toten umschwebt uns, wenn wir eine Frage wie die des Klassenkampfes hier zur Erörterung stellen. Auch sie würden so darüber gesprochen haben, wie ich es getan habe, wenn auch vielleicht mit ein wenig anderen Worten."

above-mentioned paper;

"I see here no other way out than faith in God. Only from this viewpoint is a combat possible against the ultimately Godless-born class war point of view. But the power that is herewith enlisted is also strong enough and has no necessity for any other help to succeed in the fight. Since from this faith and only from this faith follow all these views, follow all these opinions that are necessary to overcome the class war theory. Out of faith in God can come this power, which alone can influence constructively love. It is an erroneous illusion to believe that people who do not believe in God can love each other. True human love is nothing else than God's love. The belief that I can come into true love relationship to people because I am associated with them in some sort of sociability is an illusion. No love follows from the fact that I am weaving cotton with somebody else or carrying on commerce. We have seen during the war the kind of love that follows from commercial relationship. Nothing like love can ever come from community of labor, community of production and still much less from community of commerce. Love can always only be the expression of being united in a higher being. What I love in man, said Fichte, is the God that I find in him; if I do not find any God, then I hate him from the innermost part of my nature. Strong personalities must develop this faith and impart it in the masses." (53)

The Sombart of the period immediately after the war is not a friend of his own beloved object, capitalism, either. He despises his own discovery—the capitalistic entrepreneur, the Bourgeois, with his "wholly base instincts." (54) The whole world became astonished at the "New Sombart."

53. Sombart, Werner, *Schriften des Vereins für Sozialpolitik*, V. 170, p. 24, 1925. "Ich sehe hier keinen anderen Ausweg als den Glauben an Gott. Nur von diesem Standpunkt aus ist eine Bekämpfung des im letzten Ende aus Gottlosigkeit geborenen Klassenkampf—Standpunktes möglich. Aber die Macht, die damit aufgeboten ist, ist auch stark genug und bedarf keiner anderen Hilfe, um den Kampf zu bestehen. Denn aus diesem Glauben und nur aus diesem Glauben folgen alle diejenigen Ansichten, folgen alle diejenigen Stellungnahmen, die notwendig sind, um die Klassenkampftheorie zu überwinden. Aus dem Glauben an Gott folgt der Glaube an die Ideen, die leiblichen Gedanken Gottes. Und nur aus dem Gottesglauben heraus kann auch diejenige Macht kommen, die allein aufbauend wirken kann: die Liebe. Es ist ein Irrwahn, zu glauben, dass Menschen sich untereinander lieben können, die nicht an Gott glauben. Wahre Menschenliebe ist nichts anderes als Gottesliebe. Der Glaube, dass ich zu Menschen in ein echtes Liebesverhältnis kommen könne, weil ich mit ihnen in irgendeiner Lebensform zusammen lebe, ist ein Irrwahn. Es folgt aus der Tatsache, dass ich mit einem anderen Baumwolle spinne oder Handel treibe, keine Liebe. Was für Liebe aus dem Verkehr folgt, haben wir im Weltkrieg gesehen. Niemals kann aus Arbeitsgemeinschaft, Produktionsgemeinschaft, und noch viel weniger kann aus Handelsgemeinschaft etwas Ähnliches wie Liebe kommen. Liebe kann immer nur der Ausdruck eines Verbundenseins in einem Höheren sein. Was ich im Menschen liebe, hat Fichte gesagt, ist der Gott, den ich in ihm finde, finde ich den Gott nicht, so hasse ich ihn von innerster Natur. Diesen Glauben aber müssen starke Persönlichkeiten entwickeln und in die Masse hineingragen."
54. Sombart, Werner, in *Anthologie des Genossenschaftswesens*, ed. by V. Totomianz, 1922, p. 216.

In this postwar period, amid lonely search for love and ultimate truths at an age when many a man considers life fulfilled, Sombart manifested once more the essential trait of his character, open-mindedness for new ideas, impressions, even for earthly love. Sombart married for the second time and assured the continuity of his name.

Thanks to the national aptitude for organisation and discipline and the bettering of economic conditions, Germany was able to recuperate with a remarkable rapidity, and not without influence on Sombart. The immediate postwar irritation disappeared, and, with it, the new Sombart. In 1927, the third pair of volumes of his "Modern Capitalism" appeared, called *Hochkapitalismus*. The old Sombart came back. Marx again is Allah, and Sombart's only intention is to become his prophet.

In 1930, before retiring, keeping his promise to write a work on methodology after the scientific life-work was done, since only then can any authoritative opinion be advanced on methodology based upon the merit of the author's achievements, Sombart published *Die drei Nationalökonomien*. The destiny of the book at the moment was peculiar. Outside of Germany, it was received impersonally, esteemed according to its scientific weight without agreement on every point. Professor J. M. Clark, reviewing *Die drei Nationalökonomien* in the *Quarterly Journal of Economics*, writes:

"The reader may not agree with all of Sombart's conclusions but he can hardly fail to profit by following the treatment of fundamental problems by a mind of unusual scope and very positive convictions . . . Perhaps the main thing is that he has spoken boldly for the scientific validity of theoretical methods adapted to grappling with living historical realities . . . Sombart's erudition continues to command respect." (55)

and a passage from another review reads:

"On certain rare occasions a scholarly treatise appears from the pen of a scientist, which presents a veritable cross-section of human knowledge. Such a treatise is *Die drei Nationalökonomien* by Werner Sombart. The title conveys only very inadequately the profundity of erudition revealed in this modern encyclopedia of economic thought. . . . The student of the history of economic thought will discover in this latest work of one of the great living economists a veritable storehouse of stimulating, critical analyses of economic doctrines. (56)

In Germany, the so-called "first wave" of criticism, consisting of a number of reviews in a special issue of the *Schmollers Jahrbuch*, was marked by uncertainty. Impressed by Sombart's erudition, perplexed by the novelty of his ideas and interpretations, very few felt qualified to tackle as a whole the wide range of problems which he had mastered with an erudition of enormous scope extending into many branches of knowledge. Those who could did not possess the necessary authoritative proofs to

55. Clark, John M., *Quarterly Journal of Economics*, v. 45, p. 517-21, 1931.

56. Scholz, Karl W. H., *The Journal of Political Economy*, V. 39, p. 256-8, 1931.

oppose his thesis, since Sombart's cultural-scientific (*verstehende*) method had demonstrated its merits in his monumental work on Capitalism. Especially noteworthy is the review of Professor A. Ammon, which seems to bear a personal note. It goes back to a review that Sombart wrote on Ammon's book on methodology in 1912. In this review, while crediting Ammon's achievements and marking the deviating points, Sombart wondered: "Why do the young men of today write so extensively, I might say, with the ease of a graybeard?" (57)

Demonstrating progress in the ease of writing, Ammon now reviewed Sombart's book on methodology in an article of ninety-three pages in the above-mentioned issue of *Schmollers Jahrbuch*, ending:

"We can only say: What a loss to the science which has been deprived of a great mind! We might possibly be of different opinion as to which science it is, economic history or economic theory, maybe both; then it is a double loss!" (58)

After the confusion of the first reception passed away, the book came to be increasingly referred to. This change of opinion can be noticed in some of the later reviews:

"Sombart's book is on the one hand a work of science, honest, critical, far-sighted science; but it is at the same time a work of art, it is at the same time philosophy, and at times almost a religious work. The book may be criticised by specialists; but when one climbs up with Sombart to the heights to which he leads, one receives this expansion of science into the super-scientific, this raising of the ultimate questions of life, in deep thankfulness." (59)

Die drei Nationalökonomien is a work that absorbs the reader completely, and people find the toil and trouble of studying the book worthwhile. It is by all means a man-sized job, and as yet no one has ventured to translate it into English.

Schmoller's *Jahrbuch* later devoted its March issue, 1933, double-sized, to Sombart's seventieth anniversary. The volume is a noteworthy tribute to the man as well as a contribution to social science. It contains an array of papers on the subject of theory and history by the best minds of our time. Since Sombart rarely wrote in *Schmollers Jahrbuch* because of the

57. Sombart, Werner, *Archiv für Sozialwissenschaft und Sozialpolitik*, Bd. 38, p. 647.

58. Ammon, Alfred, *Schmollers Jahrbuch*, V. 54, Heft 2, p. 93, 1930.

59. Richard Müller-Freienfels, *Kant-studien*, V. 37, p. 158, 1932. "Sombarts Buch ist einerseits ein Werk der Wissenschaft, ehrlicher, kritischer, weitblickender Wissenschaft; es ist aber zugleich ein Kunstwerk, es ist zugleich Philosophie und zuweilen beinahe ein religiöses Werk. Mag man das vom Spezialistentum aus tadeln; wenn man aber mit Sombart zu den Höhen emporklimmt, auf die er führt, empfindet man gerade diese Ausweitung der Wissenschaft ins Überwissenschaftliche, letzte Lebensfragen Aufwühlende in tiefer Dankbarkeit."

periodical's implication of ethical judgments, this honor is not only a reversal of the previous attacks on him in its pages, but a unique manifestation of justice; the master was credited with his achievements, and acknowledged as the foremost living economist in Germany.

"We see in you the great German economist who, as no other today, embodies the peculiar character of German economic thought and who has brought the old inheritance of German science to highest fruitfulness. What Germany peculiarly contributes today to economic thought comes in the first line from you." (60)

The confused reception of *Die drei Nationalökonomien* was also due to the fact that Sombart has no school of thought as yet. Because, as we said, his essence is to understand what is, and since there is a certain reason in every thing that exists, he retains everything that is in economic thought, fitting it in, in a remarkably comprehensive and elastic system, with the sole pragmatic aim of explaining economic events. Furthermore, the type of student who "listened" to Sombart was predominantly a social-minded type; one interested in the future, the majority in a definite future. The future statesman, parliamentarian, party-leader, social worker, editor, correspondent, Marxist, was a student of Sombart. This social-minded type common among his students retires unwillingly into the seclusion of the academic world. Hence, Sombart commands a great respect among the younger faculty members, but a small following. *Die drei Nationalökonomien* came as a book for the professional economist, appealing to men impregnated by other notions from other teachers. Even if the truths of the book have a convincing force, it takes also a longer time for traditional and personal ties to be torn.

In 1931 Sombart became professor emeritus at the University of Berlin. The usual procedure with men of his calibre, when they pass the age limit, is for the Minister of Education to grant the privilege of continuing activities at the University. Schmoller taught till the age of 73, and then voluntarily asked the Minister to release him from his duties in order to finish his literary work. With Sombart, however, things were different. The shift in German politics toward the right (the von Papen period) made the authorities take the formal opportunity to get rid of Sombart's influence in the university. He was forced to transfer his activities to the College of Commerce, which is a more liberal institution. (61) On the morning when his belongings were carried out from his *Alma Mater*, his life reached its dramatic climax, in common with those few independent spirits in the history of humanity who place truth above personal comfort. Yet the fate of the independent scholar is on such an occasion peculiar. No masses to appeal to, since the latter listen

60. Spiethoff, Arthur, *Schmollers Jahrbuch*, V. 56, 1932, Editorial.

61. Ludwig, Emil, *The Nation*, October 26, 1932, p. 391.

to might and not to right; no organized rank and file of a party to fall back on, since the independent spirit does not fit into party frames, and not many friends, since solitude is the happy medium of the genius. As Nietzsche says somewhere, the greatness of man is gauged by the number and importance of his enemies.

Before his retirement, the faculty was asked to make suggestions as to the possible successor to Sombart's chair. As the question came up, writes Professor Julius Hirsch, "The first thought could only be: vacant—there is no second of this kind." (62) To succeed Sombart at the University of Berlin, the choice fell upon Professor Emil Lederer of the University of Heidelberg, a former student of Sombart. The access to power of the Hitlerites, however, changed the intellectual face of Germany, and today Emil Lederer is professor at the "University in Exile" in New York City. What amount of irony history can bear!

At the end of 1932, the German press brought the news of a pamphlet on the future of Capitalism, in which Sombart is the protagonist of a self-supporting economy (*Autarkie*), and for which he was hailed by the right-radicals as the "only economist," just as he was hailed by the left-radicals thirty-six years ago with his first edition of "Socialism and Social Movement." On the 19th of January, 1933, Sombart celebrated his seventieth anniversary. All throughout Germany and German-speaking countries, the newspapers carried Sombart's photograph and long articles. The left-wing press emphasized more the former Sombart, the right-wing press more the "New Sombart" of his latter years.

The *West Deutsche Rundfunk* brought the event to the audience at large, by broadcasting Leopold v. Wiese's speech, "Werner Sombart on his Seventieth Birthday." (63) The University of Pisa celebrated the seventieth anniversary of its famous son—Werner Sombart—in his presence. At the dinner given on this occasion by the Rector and Senate of the *Handelshochschule*, the school that first gave him a professorship in the Capital, his former students presented him with a bust of their master.

A mental *milieu* full of antagonisms was the cradle of Sombart's views and principles in life. As Schmoller writes:

"In such times arise new states and legal forms, new social classes, new business-forms, new antagonisms and conglomerations of all kinds: in such times of unheard-of new creations, old ideals grow pale and new ones arise in chaotic fermentation without clarification and restriction." (64)

Old values were dying, new ones were not yet born. Capitalism vs.

62. Hirsch, Julius, *Berliner Tageblatt*, Donnerstag, 19 Januar 1933.

63. Published in the *Kölner Vierteljahreshefte für Soziologie*, Heft 3-4, 1933.

64. Schmoller, Gustav, *Schriften des Vereins für Sozialpolitik*, v. 132, p. 2.

Socialism, Positivism vs. Idealism, Theory vs. History, Natural sciences vs. Cultural sciences, and, above all, Karl Marx.

"Marx fully occupied his mind for many years. He is now in the stage of detaching himself from this dependence more and more. . . . But even now, Marx is to him the great scholar of the nineteenth century, as was Adam Smith of the Eighteenth." (65)

Often through history do antagonistic times and forces produce characters of remarkable gifts for synthetic unity in their thinking. Sombart is, in his way, a classic example. History and theory, Individualism and Universalism, Idealism and Materialism, Organism and Mechanism, Causality Teleology, Actuality and Potentiality, Statics and Dynamics, Subjective and Objective theory of value, etc., are synthetically interwoven to a fruitful unity in his system of thought. As a scholar in extreme idealistic pursuit of the truth, always expecting to find new material, he is eager for new ideas and open to new criticism. Synthetic unity does not mean stagnated life-long views. New sources throw new light, produce new knowledge. It is one of Sombart's main doctrines that the scientific as such is to withhold himself from value-decisions and judgements, and be satisfied with strict objective explanation, "wherefrom" and "whereto."

Synthetic unity in social sciences means closed, connected, synthetic analysis, in the light of a definite social theory, method, scope, and system. After Marx, Werner Sombart is the only one to achieve it, in his analysis of modern capitalism, Professor Schumpeter writes:

"Everyone of us would have done it in his way, better or worse, but at any rate differently, *Doch schiene es unangemessen zu schulmeistern.*" (66)

According to Schmoller,

"The main strength of Sombart rests in his observation and descriptive ability, and in his capacity for distinction." (67)

And to Professor Wesley C. Mitchell,

"Werner Sombart seemed to recapture that blend of history and theory which had lent intellectual distinction to Marx's 'Capital'." (68)

Schmoller believed that, besides Marx, Zola and Ibsen "had a certain influence on him; with the first he had in common a certain pessimistic notion; with the two last he had in common the detailed painting." (69) Sombart, however, feels differently about this. "Marx was by all means a cultural optimist. . . . how could he despise and hate the mother?"—capitalism, which will bring forth the new and better world, socialism.

65. Ibidem.

66. Schumpeter, J., *Schmoller Jahrbuch*, V. 51, p. 359, 1927.

67. Schmoller, Gustav, *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 1903, pp. 291-2.

68. Mitchell, Wesley C., *Quarterly Journal of Economics*, February, 1928, p. 303.

69. Schmoller, Gustav, *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 1903, pp. 291-2.

"Marx has taken towards all essentials of the capitalistic world, a positive, approving position." (70) Sombart attributes his deviation from Marx to the different times in which they wrote their work.

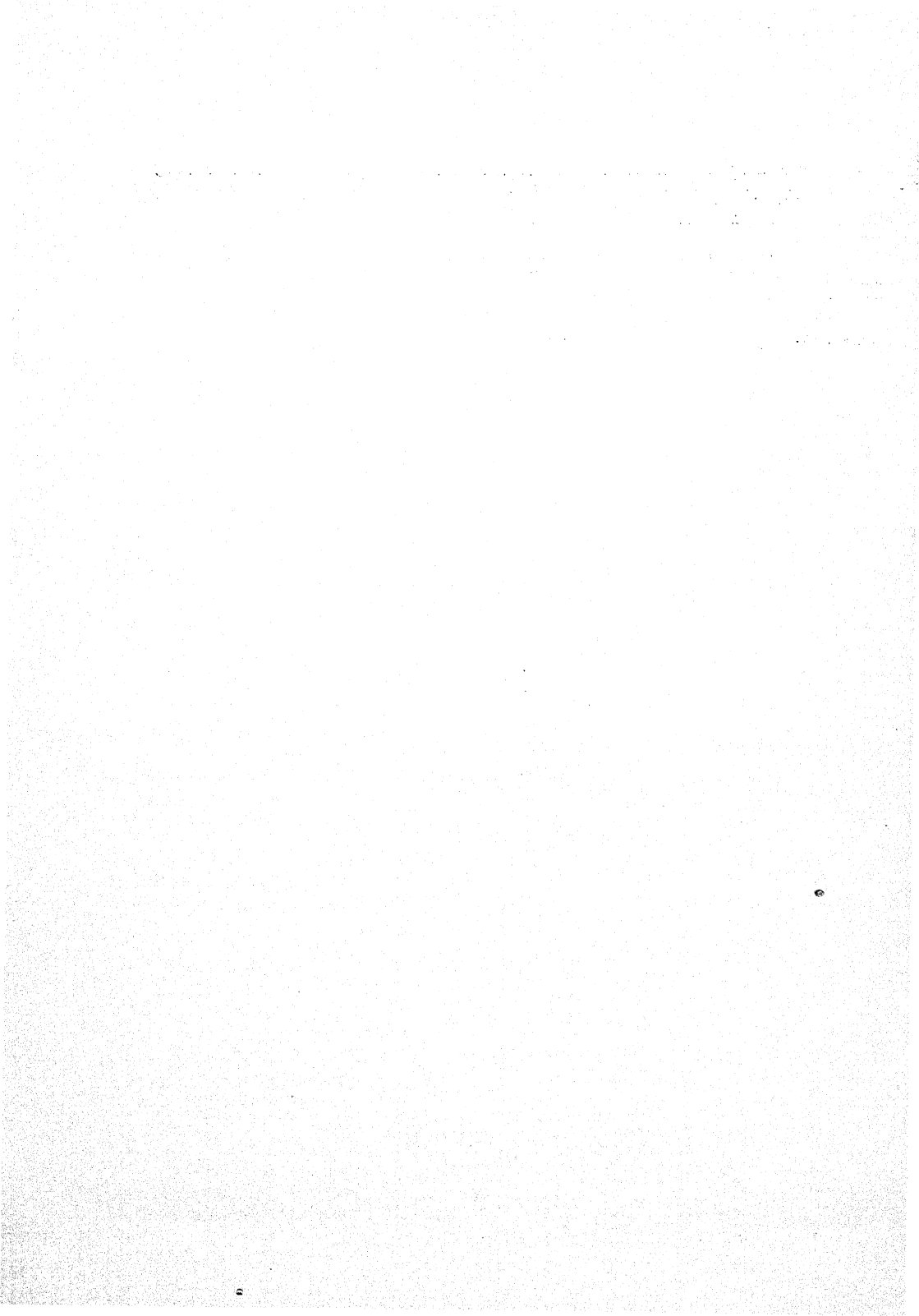
"The difference in the whole plan of our system and the conclusions at which we arrive results, with a certain inner necessity, from the different times in which we wrote our books. . . . When Marx conceived his ideas, capitalism was new land. . . . Then it was morning and the skylark sang; today the evening draws nearer and the owl of Minerva has begun her flight. . . . What Marx spoke was the proud first word on Capitalism; in this work is said the modest last word." (71)

* * *

This study was completed in the Fall of 1933. Since then, the intellectual face of the world has changed, and with it Werner Sombart. In *Deutscher Sozialismus*, a treatise published in 1934, the "old Sombart" has disappeared completely; nothing of the old scientist is left in it: in its stead—a Hitlerite Nazi! *O tempora, o mores!*

70. Sombart, Werner, *Hochkapitalismus*, 1927, p. xx.

71. *Ibidem*, p. xxi.



Part III

THE TYPE OF WORK

1. SOCIAL THEORY.

§1. Social sciences deal with associated human behavior. To understand the latter, an implicit or explicit conception of human nature is indispensable. For example, Adam Smith's *laissez-faire* theory is meaningless without Hutcheson's conception of human nature. Only when man has a moral sense are people going to settle in harmony. All orthodox economics puts the self-interest of the individual above that of society. It starts out with the single, with the part above the whole, and only with the help of the "harmony of interest" is the single supposed to coincide with the whole. Yet if free competition is an eternal blessing to humanity, where does the "invisible hand" fit in since people settle automatically in harmony? Only in Hobbes' conception of human nature, *Omnium bella contra omnia* is a "visible hand" necessary to bring about harmony. Owing to the economic conditions of Adam Smith's day, the social mind was dominated by the impression of harmony of interest, and there was no place for a visible Leviathan on earth. The only way left to explain this harmony was to shift the Leviathan to heaven and make him an "invisible hand." It is probably for this dualism of the underlying conceptions of human nature that the orthodox school of thought as well as the universalist (*) school of thought acclaim Adam Smith as the father of economics. To be correct, the universalist school of thought is altogether able to dispense with a conception of human nature because it starts out and is primarily concerned with a whole of society as it should be. Insofar as it has a conception of human nature, it is wrapped up in theology and norms. It is not concerned with human nature as it is, but as it ought to be.

Sombart is out to explain concrete economic life. The latter has real men as its subjects; hence the orthodox abstract isolated conception that may have explained the *homo economicus* will not do here. The real man is, first of all, a product of a whole (nation, state, community, class, economic

(*) This is Othmar Spann's name for his school of thought, given because of its direct opposition to the individualism and atomism of the orthodox school. An exact definition of the Universalist school of thought is almost a study by itself and hence out of our scope. The reader, however, will find a more detailed account in the course of this study. We might add that whereas the direct opposition between orthodox and heterodox economics is methodological, the opposition of Universalism to Individualism is a matter of a philosophy of life and hence economics becomes for Spann a branch of philosophy.

system, etc.) and secondly an active part of similar wholes; hence, Sombart is led to a conception of human nature based on anthropological and social-psychological notions. Thus, the first question that the social scientist has to be aware of is whether psychology is the basic science or merely a complementary science for the special social sciences. If it is the basic science, then what kind of psychology is to be used? if not, from where else is the conception of human nature derived?

Psychology was the basic science of the classical type of economics. J. S. Mill, the most lucid and authoritative exponent of this type of work, writes in his *System of Logic*:

"All phenomena of society are phenomena of human nature, generated by the action of outward circumstances upon masses of human beings; and if, therefore, the phenomena of human thought, feeling, and action, are subject to fixed laws, the phenomena of society cannot but conform to fixed laws, the consequence of the preceding." (72) "The science of human nature is of this description. It falls far short of the standard of exactness now realized in astronomy; but there is no reason that it should not be as much a science as tidology is, or astronomy was when its calculation had only mastered the main phenomena, but not the perturbation." (73)

To the Marginalists, psychology was certainly the basic science. Jevons writes:

"The words of Bentham . . . are too grand and too full of truth to be omitted. Nature, he says, has placed mankind under the governance of two sovereign matters, pain and pleasure. . . . According to him, whatever is of interest or importance to us must be the cause of pleasure or of pain; and when the terms are used with a sufficiently wide meaning, pleasure and pain include all the forces which drive us to action. They are explicitly or implicitly the matter of all our calculations, and form the ultimate quantities to be treated in all the moral sciences." (74)

To Menger, economics was a not fully developed branch of psychology, and to von Wieser, economics became an applied psychology. "The distinction, however," writes Professor von Wieser, "is not a fortunate one. It may lead to the misunderstanding that the 'psychological' economic theory starts from scientific psychology. This is by no means the case," because scientific psychology deals with the psyche of real man. Marginal analysis, however, "takes its point of departure from within, from the mind of the economic man." (75) In other words, psychology of a non-existent man or of an abstraction representing only part of man's nature was the basis for the marginal analysis.

To the historical school, psychology was equally the basic science.

72. Mill, J. S., *System of Logic*, p. 466.

73. Ibidem, p. 433.

74. Jevons, W. S., *The Theory of Political Economy*, 1888, p. 23.

75. von Wieser, F., *Social Economics*, p. 3.

Schmoller writes:

"For us psychology is the key to all the cultural sciences and hence also to economics. We know that the elementary (knowledge) in it has been clearer to thought for ages, because it rests on inner perception, the most certain source of all knowledge. Therefore it is also explicable that the understanding of certain elements of psychological causation is very old and so was it also necessarily inherent in economics, developed in the epoch of exchange and money intercourse, to derive many propositions deductively from the egoistic acquisitive drive. Every observer of human nature and every politician applies at any moment such general psychological truths to explain deductively many things from them. But, unfortunately, we are still far away today from a sufficient knowledge of social psychology and class-structure. And we must really possess it in place of those few psychological truths, become commonplaces, with which we are now managing matters, to have a firmer ground under foot in economics and public law." (76)

And so, too, to the contemporary institutional type of economics, psychology is the basic science. Professor Wesley C. Mitchell writes:

"Economics is necessarily one of the sciences of human behavior. Whether its votaries recognize the fact or not, it endeavors to show how men deal with each other in getting their livings. Now no man can possibly give an account of economic behavior, without having some working notions of human nature in the back of his head if not on his tongue. No one can lay down any proposition about business transactions without implying that men have certain standard ways of feeling, thinking and acting in their market dealing with each other. It is therefore naïve to talk of divorcing psychology from economics." (77)

"It is because they are developing a sounder type of functional psychology that we may hope both to profit by and to share in the work of contemporary psychologists. But in embracing this opportunity economics will assume a new character. It will cease to be a system of pecuniary logic,

76. Schmoller, G., *Grundriss*, p. 108. "Die Psychologie ist uns der Schlüssel zu allen Geisteswissenschaften und also auch zur Nationalökonomie. Wir wissen, dass das Einfache in ihr seit Jahrtausenden allen Denkern klar ist, weil es auf der inneren Wahrnehmung, der sichersten Quelle aller Erkenntnis, beruht. Daher ist es auch erklärlich, dass das Verständnis für gewisse elementare psychische Verursachungen sehr alt ist; und so musste es auch für die Nationalökonomie, die sich in der Epoche des Tausch- und Geldverkehrs ausbildete, nahe liegen, aus dem egoistischen Erwerbstrieb deduktiv zahlreiche Sätze abzuleiten; jeder Menschenkenner und jeder Politiker wendet jeden Moment weitere derartige generelle psychologische Wahrheiten zu, um deduktiv aus ihnen vieles zu erklären. Aber von einer empirischen, wissenschaftlich vollendeten Psychologie, von einer ausreichenden psychologischen Völker- und Klassenkunde können wir leider heute doch noch entfernt nicht reden. Und gerade sie müssten wir an Stelle der wenigen zu Gemeinplätzen gewordenen psychologischen Wahrheiten, mit denen wir jetzt haushalten, besitzen, um bessern Boden in der Volkswirtschafts- und Staatslehre unter den Füßen zu haben."

77. Mitchell, Wesley C., *The Trend of Economics*, p. 16.

a mechanical study of static equilibria under non-existing conditions, and become a science of human behavior." (78)

Sombart, on the contrary, rejects all *Psychologismus* manifested so far in economics. Psychology is only part, one aspect of human sociability. "Social phenomena . . . consist, self-evidently, not only of psychic constituents, but also of many others: legal, technical, physical, geological, etc. It is impossible to predict the whole from the part." (79)

Psychology is not the basic science of the social sciences but merely a complementary one supplying the data whenever the economist is in need of them. Sombart implies here the Mill-Wundt type of psychology whenever he speaks about "psychologismus." (80) He then makes a sharp distinction between *Psyche* meaning "Soul" (*Seele*) evidently the part responsible for the ultimate elementary drives, inborn qualities that nature bestows upon man common universally to his kind and is the subject matter of psychology; and *Mind* or *Geist* on the other hand meaning intellect and consisting of that part of human nature derived from the social mind during the formative period of the individual and thus controlling him throughout his life, that is shaped by Culture. Human behavior is then according to Sombart not solely determined by psyche but also by mind and perhaps to a larger extent by the latter. He knows how the social or objective mind is transmitted through the *milieu* into the subjective mind of the growing individual, but he does not know how it is transmitted into psyche.

"If the great problem of history is: how social mind becomes psyche, so is the purpose of a culture-scientific (*Geisteswissenschaftliche*) sociology to present this process as a social, that is as a relational phenomenon in its typical forms." (81)

Sombart does not commit himself more explicitly as to the actual processes whereby the philogenetically accumulated responses to stimuli of previous formative periods are transmitted by inheritance into aptitudes. Hence the terms "psyche" or "soul" remain obscure. First of all the term "soul" (*Seele*) has a metaphysical and theological connotation and was there-

78. Mitchell, Wesley C., *Quarterly Journal of Economics*, Vol. 29, 1914, p. 47.

79. Sombart, Werner, *Die drei Nationalökonomien*, p. 166. "Die sozialen Erscheinungen, auf die ich meine Ausführungen beschränken will, setzen sich offensichtlich nicht nur aus seelischen, sondern auch aus zahlreichen anderen Bestandteilen zusammen: rechtlicher, technischer, physikalischer, geographischer u. a. Natur. Es ist aber unmöglich, von einem Teile über das Ganze auszusagen, also soziales Geschehen nur aus seelischen Vorgängen ableiten zu wollen."

80. Sombart, Werner, *Die drei Nationalökonomien*, pp. 162, 163.

81. Sombart, Werner, *Soziologie*, 1923, p. 11. "Wenn das grosse Problem der Geschichte ist: wie Geist Seele wird, so wird eine geisteswissenschaftliche Soziologie die Aufgabe haben: diesen Prozess als gesellschaftliches, d.h. Beziehungsphänomen in seinen typischen Formen darzustellen."

fore since Descartes not used any more in Psychology. Secondly: if one part of "psyche" consists of the innate drives and instincts common universally to mankind, that is bestowed by Nature, the other part consisting of aptitudes, inherited dispositions that grow into habits, that is bestowed by culture, then "psyche" itself ceases to be completely shaped by Nature as Sombart seems to be implying and psychology is not necessarily a natural science. Sombart, however, seems to base his contention on the fact that the type of psychology manifested till now in economics was mainly of the Mill-Wund natural scientific variety; hence he rejects it on its own ground.

Sombart's degrading of psychology from a basic science of economics to a complimentary one seems surprising to the American reader who is accustomed to quite the contrary. Professor Wesley C. Mitchell, as a spokesman of modern economic thought, says definitely:

"To a generation striving with projects of social reform there is no problem of greater speculative interest or greater practical import than what is original in human nature. . . . For, when economic theory has been purified so far that human nature has no place in it, economists become interested perforce in much that lies outside their theoretical field." (82)

Yet it is astonishing how the two men disagree in terms but not in content. When these terms are brought under one denominator, the essential views coincide. The contradicting term is the implied conception in the word "economy." Sombart, as we shall see later, takes the term in consonance with the Greek origin, in the material objective sense. It denotes not only man's psyche but also the material agencies and arrangements that are employed in gaining a livelihood, the whole going concern as the ultimate unit in the subject matter of economics. Hence, it is quite evident that in this material conception of the word "economy" psychology plays only a part, the part that explains man's psyche as displayed in the economy. Behind machinery, land, horses and oxen, there lie not psychology but technical, physical, geological, etc., categories. But neither the oxen nor the horses nor the machinery by themselves concern the economist so long as they are not "imbedded in Geist", that is, in mind, within the sense-context, "going concern." Psychologically, the farm-laborer has an aversion to going outdoors in a fog to bring the cattle into the barn. A motive for this behavior cannot be derived from his soul. But he does go just the same and what determines his behavior is not the psyche but the mind, the sense-context, "employee-employer." If he does not go out, he may lose his job.

Professor Mitchell's conception of the word "economy," on the other hand, carries quite a different meaning. It is a mode of human behavior at a definite historical stage, concerned with the balance between income

and outlay, spending and saving, concerned with men's market dealings with one another; hence, psychology is here the very whole and forms the basis of the science. To be sure, they feel in the same word "psychology" entirely different connotations. (83) Sombart, extraordinary as it seems, uses the ancient definition for psychology, namely that it is *Seelwissenschaft*, the science of the human psyche, psyche meaning "soul" and not "mind." Mind to Sombart is *Geist*. *Objektiver Geist* is social mind; *subjektiver Geist* is the individual mind. The main characteristic of mind is that it is the acquired part of human nature, whereas psyche or soul is shaped by nature. Professor Mitchell, on the other hand, is using the modern conception of psychology where a sharp demarcation between "mind" and "psyche" does not exist; in fact, they never speak about "psyche" and "mind" separately, but refer to "human nature" meaning both. It is the science of the human psyche as well as of the human mind. The latter belongs, according to Sombart, to the *Geisteswissenschaften* and constitutes the very subject of his approach. Only when a science starts out to rationalise from the single behavior of the individual does pure psychology necessarily become the basis for a science, but when we are concerned with the single individual only as a part of a whole, then it is not individual psychology that can explain adequately social behavior, but social psychology. For example, what use can individual psychology be in explaining modern price formation where prices are formed not according to the marginal calculus of rational buyers and sellers, but determined by a multitude of reactions anchored in the social mind of the time (*Kapitalischer Geist*)?

Thus, for a universal knowledge of economics, to which the psychological school aspired, if such knowledge is at all attainable, the Marx-Sombart conception of the "economic system" proved itself a superior tool, as we shall see later.

Sombart rejects psychology as the basic science for social sciences because:

"Human motives, whether one conceives them as rational, let us say, like egoism and altruism, the economic sense, want satisfaction; or as irrational-emotional-voluntaristic, declaring the inventive urge, the drive for power and the drive for workmanship to be the great moving forces of history as is now fashionable in the United States under the influence of McDougall—are able to explain the similarities in the structure of human society, but never the specific happening at a certain period of history." (84)

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83. Scientific misunderstanding is mostly hidden in the most common, hence least understandable, terms, because their common use makes them time- and space-conditioned.
84. Sombart, Werner, *Hochkapitalismus*, p. 9. "Die menschlichen Motive—man mag sie rationalistisch fassen und etwa Egoismus und Altruismus, den ökonomischen Sinn, das Streben nach Bedürfnisbefriedigung darunter be-greifen oder—wie es jetzt unter dem Einfluss McDougalls die grosse Mode

The psychic constituents of social phenomena constitute the part not rooted in the soil, the climate, the ethnographical and geographical situations but that which is general, common to all people. Hence, necessarily, it leads to a universal science, which is inadequate to express human nature's specific peculiarity and behavior in definitely given time and space. Anthropology must serve then, according to Sombart, as the basis of any social theory. Doubtless, Sombart is here continuing the good tradition of the older historical school, to whom the red threads of history are home-spun. To the younger historical school, on the contrary, psychology was the key to social phenomena.

§2. Sombart finds anthropology not readily adaptable in its present state to the purposes of the social scientist.

"So long as we do not possess an anthropology suited to contemporary standards of knowledge every social scientist is forced to undertake himself to ascertain the essential traits of man, what he considers the traits shaping the peculiar human sociability. (85)

From time immemorial, people have been eager to ascertain man's place in nature and common sense came to distinguish the world of phenomena as consisting of body, body-soul, and that of body, soul, and mind (*Geist*). This distinction is to be found already formulated by Aristotle. Thomas Aquinas formulates it in *anima vegetativa, sensitiva* and *intellectualis*. Sombart's anthropological notions are based on the time-honored experience of mankind with this problem:

"As all human creation, so also human society naturally bears the prints of mind: it (human society) is built out of body, psyche, and mind, as the inorganic world is built of bodies only and the world of the other living beings besides man is constituted of body and psyche." (86)

in den Vereinigten Staaten (und in den von dort ihre Weisheit beziehenden Ländern) ist—irrationalistisch-emotional-voluntaristisch und den Erfindungstrieb, den Machttrieb, den Trieb zu wirtschaftlicher Tätigkeit als die grossen Bewegur der Geschichte ansprechen—vermögen in dieser Allgemeinheit zwar die immer gleiche Struktur der menschlichen Gesellschaft zu erklären niemals aber ein besonders Geschehen in einer besonderen Spanne Zeit der Geschichte."

85. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 221. "Wenn es die Aufgabe der Soziologie ist, das menschliche Zusammenleben unserm Verständnis zu erschliessen, so wird sie diese Aufgabe nur lösen können, wenn sie sich zunächst davon Rechenschaft gibt worin denn die Eigenart dieses menschlichen Zusammenlebens, für das wir den Ausdruck "Gesellschaft" verwenden, besteht. Das aber vermag sie nur zu erkennen, wenn sie ein klares Urteil über das Wesen des Menschen besitzt: jede Soziologie hat eine Anthropologie als Grundlage zu dienen, in der eben jenes Wesen des Menschen oder des Menschlichen gelehrt wird. Solange wir eine dem Stande unseres heutigen Wissens angepasste Anthropologie nicht besitzen, muss jeder Soziologe es selbst unternehmen, dasjenige zu bestimmen, was er für die das menschliche Zusammenleben eigenartig gestaltenden Wesenszüge des Menschen hält."

86. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 222.

The difference between a living whole, that is, an object consisting of body and psyche, and a lifeless object consisting of body only, lies, according to some contemporary German thinkers, in this: that the former have a definite form, a configuration expressing this inner psyche, whereas the latter have merely contour, accidental shape. A horse has a definite form intrinsic in his kind and a definite individual configuration expressing his inner psyche. A stone, on the other hand, is a mechanical aggregation of physical particles. It has no definite form inherent in its kind, but merely accidental contours.

Sombart sees three attributes that characterize the essence of Man. The first two are commonly accepted; the third he finds neglected.

1. The *Leib-Seelhaftigkeit*: Man's belonging to the category of phenomena in nature that consist of body and soul and herewith "determine his existence as a living being" in opposition to the lifeless phenomena which consist of body only.

2. The *Rudelhaftigkeit*: Man's herd instinct or gregarious instinct, "which man has in common with many animal species, consists in the fact that there are no naked self-dependent human beings, individuals existing for themselves, that enter into communication with other similarly self-dependent individuals. But man lives socially, that is in some sort of community or alliance with his equals, like the ants, bees, deer, and partridges." "*Menschliche 'Gesellschaft' kann nur als ein Neben-, Für-, Gegen-, Miteinander solcher Rudel gedacht werden.*"

3. The *Geisthaftigkeit*: Man's intellectual capacity.

"Man has intellect, that means the ability to elevate himself and the occurrences in the world out of the general causal nexus, in that he objectifies and brings to expression the occurrences in his soul in signs, symbols and deeds to which he attributes a definite 'sense,' 'significance,' and by virtue of which he is able to communicate with others." (87)

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87. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 221. "Die drei das Wesen des Menschen ausmachenden Eigenschaften sind: die Leib-Seelhaftigkeit, die Rudelhaftigkeit und die Geisthaftigkeit. Die Leib-Seelhaftigkeit des Menschen begründet sein Dasein als Lebewesen. Die Rudelhaftigkeit, die der Mensch mit vielen Tierarten gemeinsam hat, besteht darin, dass es kein 'nacktes,' für sich bestehendes Menschenwesen, 'Individuum,' gibt, das mit anderen ebenso nackten Individuen in Verbindung träte, sondern das der Mensch 'gesellig' lebt, das heisst in irgendwelcher Gemeinschaft oder Verbundenheit mit seinesgleichen, wie die Ameisen, die Bienen die Hirsche, die Rebhühner. In diesen Rudeln wird der Mensch, wie man es treffend genannt hat, 'soziales Selbstwesen'; als glied wirkt er mit einem bestimmten Teile seiner Kraft, er ist Mitarbeiter in diesen Einheiten. Menschliche 'Gesellschaft' kann nur als ein Neben-, Für-, Gegen-, Miteinander solcher Rudel gedacht werden. Gesellschaft besteht nicht aus Einzelnen, sondern aus 'Ganzen' von Personen, (und Gütern). Die Gesellschaft ist eine Anti-Robinsonade. Und selbst Robinson vermochte nur zu leben, weil er die Rudelhaftigkeit auf seine Insel mitgebracht hatte. Aber was nun das men-

Geist, as we noted, means mind or intellect. Culture is objectified intellect, mind precipitated in institutions, laws, symbols, monuments, etc., products of the human mind. *Geisteswissenschaft* means cultural science. Man's *Geisthaftigkeit* means his possession of a mind that makes him unique among the other living beings. Language is the prime manifestation of the human mind, of man's *Geisthaftigkeit*, and only those living specimens have a common language that have mind, that is, consist of body, soul and mind (*Geist*). The *Leib-seelhaftigkeit* makes the human being a living being, the *Rudelhaftigkeit* makes of him a social being, the *Geisthaftigkeit*, a societal being.

§3. Society can be conceived from an individualistic point of view as well as from a universalistic point of view. The individualist conceives society as a mechanical aggregation of self-dependent individuals, single atoms brought together by social contracts (service contracts, exchange contracts, etc.). Constitutions are nothing else but contracts among citizens of a community, city or state for mutual service from the respective organization. The sole *raison d'être* of the state is the service to and for the welfare of its citizens. The principle of any society based on the social contract is liberty: freedom of the individual to enter contracts or at least the belief that he is free to do so. The universalist, on the other hand, conceives society as a living organism with its own superindividual life and destiny. The individuals are limbs of this living whole obliged to perform its functions. The whole is the state as a superindividual reality and the individuals are to serve the latter. The state is before the individual as the whole before the part. What is good for the whole is best for the part. The state forms, molds, and guides the individuals and the ethical *a priori* of the individual is obligation toward the whole. Evidently there is no place for liberty and freedom for the individual but for "arbitrary justice," *ausgeteilte Gerechtigkeit* as Spann calls it. Needless to note, the former conception is the Anglo-Saxon outlook on society and the latter is the basis for the fascist viewpoint.

Identifying the gregarious instinct (*Rudelhaftigkeit*) and societal instinct (*Geisthaftigkeit*) as the basic drives of human nature, Sombart rejects the atomistic social theory, the contractual view of society, which sees in the individual a self-dependent, self-sustained entity, and in the community a mere mechanical summation of individuals on the basis of social contracts. What unites people to an association "is some sort of

schliche Zusammenleben grundsätzlich unterscheidet von allem übrigen, ist die dritte Eigenart des Menschen: seine Geisthaftigkeit. Der Mensch hat 'Geist,' das heisst die Fähigkeit, sich und die Vorgänge der Welt aus dem allgemeinen Kausalzusammenhange herauszuheben dadurch, dass er seelische Vorgänge objektiviert und in Zeichen, Symbolen, Werken zum Ausdruck bringt denen er einen 'Sinn,' eine 'Bedeutung' beilegt, die er ändern mitzuteilen vermag."

a meaning; such a meaning is the basis for any band in which people live together." (88)

In the long run of purposive action and common life, a "sense-relationship" rises among them adequate to the complex of purposeful activity in which they coexist. The subjective individual minds become resolved into a super-individual mental atmosphere, into a social mind. The subjective mind is man's capacity to think ideas, to fix goals, to set norms which distinguish him from all other living beings and make him alone fitted to create culture, that is to objectify his essence in institutions and symbols. (89) This subjective mind is, through the sense-relationships in which people are brought together, resolved into a super-individual mental atmosphere, into a social mind, *ethos*. "Men are in spirit bound together." This relationship constitutes an impersonal intellectual reality to which each subordinates his uncontrolled subjectivity and from which each takes his directions, postulates and norms of behavior. A common language appears. In the long run of purposive activity and common life, the social mind, *objectiver Geist*, becomes embodied, objectified in common usages, laws, and institutions. It becomes culture. "Culture is objectified human mind." (90) Culture is everything of man's creation vs. nature's. "Everything that is culture today was once in man." (91) It is the objectification of the human mind in monuments, symbols, laws, constitutions, etc. Culture can be of material or of ideal nature. Institutional culture consists of orders, regulations and forms of organizations which can be of use to a nation. They objectify themselves in constitutions, law codes, religious systems, factory regulations, guild status, tariffs, etc., from which the people take their directions,

88. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 222. "Wie alles Menschenwerk, so trägt natürlich auch die menschliche Gesellschaft die Spur des Geistes: sie baut sich auf aus Körper, Seele und Geist, wie die Welt der toten Körper aus Körpern allein und die Welt der übrigen Lebewesen ausser dem Menschen aus Körper und Leib-Seele. Das heisst also: die Menschen sind im Geiste miteinander verbunden. Was sie eint, ist ein irgendwelcher Sinn. Solcher Sinn liegt also auch jedem 'Kudel' zugrunde, in dem Menschen zusammenleben. Und dieses bekommt damit sein Gepräge als eine Menneit von Menschen, die in einem Sinnzusammenhange stehen das heisst: die von einer geistigen, ihnen übergeordneten Realität zu einer Einheit zusammengehalten werden, einer geistigen Wesenheit, an der sie ihr Verhalten orientieren. Damit ist das 'Kudel' vermenschlicht und, wie wir sagen wollen, zum Verbande geworden."

89. Sombart, Werner, *Die drei Nationalökonomien*, pp. 198-199. "Die Kultur ist 'objektiver' Geist, der erkennende Mensch ist 'subjektiver' Geist, weil in seiner Seele eine Ideen denkende, Ziele steckende, Normen setzende Fähigkeit ruht, die ihn von allen Lebewesen unterscheidet und die ihn allein befähigt, Kultur zu schaffen, das heisst sein Wesen in äusseren Einrichtungen und Symbolen zu objektivieren."

90. Sombart, Werner, *Die drei Nationalökonomien*, p. 198.

91. Ibidem, p. 199. "... allen was in der Kultur ist, war einmal in Menschen."

as to how they arrange their behavior among themselves.(92) All institutional culture is to Sombart divided into four complexes, state, church, economy and mores "in which the centuries precipitated and accumulated their experience." (93) Economy is then a sphere of institutional culture. Economics is the science of this sphere; hence, the institutional approach is postulated. An institution we might add is a habit, a common usage, in itself "ideal," but always based on something "real," on a material object, in a particular physical setting. For example: the use of the bicycle is a nationwide institution in Holland, with important economic bearings. The institution is the habit of riding and not the bicycle. The latter is merely the material object on which the institution rests. The institution rose out of a physical setting, namely the flat land of the country. All over, where the same material foundations exist, other things remaining equal, the institution is likely to exist. Institutions may assume a multitude of forms—the family, the three-field system, as well as the rolling production belt, or Italian wine. Again, the institution is not the wine, but the habit of consumption. The wine is merely the material object upon which the given institution is based and the physical setting calling for it is the southern European climate.

Institutions arise, not isolated by themselves, but in correlated sets, in wholes. The use of a bicycle as an institution, that is, as a mass phenomenon, is correlated on the one hand with the progress of technology that enables these means of communication to be produced, as well as with the growing mobility of labor that calls for these means of communication; on the other hand, it is correlated with the flat land of the country, the latter, with the character and blood of the people. Max Weber traced the peculiar style of the Slavonic village to the shorter stomach of the Slav.

To repeat, man in society subordinates his behavior to the impersonal objective mind as precipitated in the institutional culture whence all his motives, longings, and feelings are derived. "Men are in spirit bound together . . . Therewith is the herd humanised . . . it becomes a society." (94) What makes the herd instinct (*Rudelhaftigkeit*), shared by many other living things, into a lasting alliance, into a society unique to mankind only, is man's intellectual capacity, man's possession of *Geisthaftigkeit*. As Sombart says:

"The concept 'animal-sociology' is to me a contradiction in terms. A sociology of the hen-coop does not exist scientifically. It can not exist because to the conception of sociology belongs the specifically human, that is the intellectual (*Geistige*)."(95)

92. Sombart, Werner, *Der Moderne Kapitalismus*, ed. 1924, p. 17.

93. *Ibidem*.

94. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 221.

95. Sombart, Werner, *Schriften der Deutschen Gesellschaft für Soziologie*, Series I, Vol. VI, 1929, p. 246.

§4. Sombart conceives society not as a mechanical aggregation of single atoms, as the individualists do, nor as a living organism, as the universalists do, but as one great whole consisting in turn of smaller wholes. Sombart does not go as far as Othmar Spann, to whom the conception of the whole is an absolute dogma: *das Ganze ist vor dem Teile*, like the organism before the limbs, the corporation before the director, the enterprise before the employee. As von Wiese (96) pointed out, you might as well say the whole natural world before the individual living being, and God or Chaos before cosmos. What makes an organism is the possession of organs. At the beginning whether of Ontogenesis or of Phylogenesis, neither the embryo nor the amoeba has organs but aptitude to differentiate such. By the time they have them, the whole and the part coexist in interfunction.

Sombart takes a pragmatic approach to this as to any other question transcending the realm of experience and makes use of both ideas—organism and mechanism—whenever it is possible to obtain scientific insight by their application, bearing in mind that these ideas are merely working hypotheses.

"The use of these working hypotheses is admissible. But one ought to remain aware (like the doctor prescribing poison to the patient for medical purposes) that their use is dangerous not merely because uncritical heads forget easily that they are dealing with fictions. Economic life is naturally neither an organism nor a mechanism but a structure of its own kind, whose components are living people, and (a structure) which we consider only 'as if' it were an organism or a mechanism." (97)

It is with the help of these working ideas that Sombart finds man's associated activity in the precapitalistic system to take place mainly within the forms of community associations or communities of interest. Such are associations that hold together their members by superindividual ties, by the ideal of the common good. According to the three fundamental drives of man—hunger, love, and power—Sombart distinguishes three ultimate forms of community associations: 1. The biological or blood community of interest, necessitated by the drive toward reproduction—the family; 2. The economic community of interest necessitated by the drive for sustenance—for example, the

96. von Wiese, Leopold, *Kölner Vierteljahreshefte für Soziologie*, Jahrg. VII, 1928, p. 26.

97. Sombart, Werner, *Die drei Nationalökonomien*, p. 188. "Die Verwendung dieser Arbeitsideen ist zulässig. Aber man soll sich (wie der Arzt, der dem Kranken Gift zu Heilzwecken verordnet) bewusst bleiben, dass ihr Gebrauch nicht ungefährlich ist, weil unkritische Köpfe bei ihnen besonders leicht vergessen, dass sie es mit Fiktionen zu tun haben. Natürlich ist das Wirtschaftsleben weder ein Organismus noch ein Mechanismus, sondern ein Gebilde eigener Art, dessen Bestandteile lebendige Menschen sind und das wir betrachten, 'als ob' es ein Organismus oder ein Mechanismus wäre."

village community, the handicraft guilds, etc.; 3. The political community of interest,—the state, the medieval cities, etc. In his "Modern Capitalism," Sombart traces the changes in man's associated activity brought by the economic system of capitalism and finds the communities of interest displaced by interest-associations. Whereas the former were dominated by superindividual ideas, like faith or love, the latter are dominated by the personal interest of the individuals. In the community of interest, the individual serves and sacrifices to the whole; in the interest-associations the individuals belong only so long as their personal interests are served and satisfied. Interest-associations are purpose associations. The family—the only community of interest that capitalism could not displace because of its biological foundation—is experiencing an inner crisis and looking for new forms. A detailed review of Sombart's analysis of Capitalism is beyond the scope of this study. (98) The example was introduced only to elucidate how antagonistic theories became working tools with fruitful results when wisely applied in the hand of the master. In a sense there seems to be a certain truth in Leibnitz's saying, that people are right in what they maintain and wrong in what they deny.

Sombart's totality view of society consists therein, that unlike in the sphere of Nature, in the sphere of Culture nothing exists by itself. "Society consists not of singles, but of wholes, of persons and goods." Social phenomena can only be understood as parts of some "whole." A whole, to Sombart, is a unity of innerly correlated events; in the sphere of human life, it is a sense relationship of living people. Human behavior is intentional and associated behavior always a product of and directed toward some sort of a sense-relationship, association. Hence, it receives its meaning in the light of the ultimate ends of these sense-relationships in which the people are bound together. The smaller sense contexts of purposeful activity in turn receive their meaning from some greater "whole," and the latter from the all-embracing whole—the economic system.

"Any inter-human relationship, even when it seems to occur only among individuals, can sociologically be understood only when we relate it to the associations to which the individuals belong." (99)

The truth of a doctrine is tested by its ability to explain the most common, hence least understandable phenomenon. In a "sociology" of the "inter-human relationship" known as the "kiss," Sombart elucidates

98. The reader will find an attempt at such a review of Sombart's theories in the work of Professor F. L. Nussbaum, *A History of the Economic Institutions of Modern Europe; an Introduction to Der Moderne Kapitalismus* of Werner Sombart. New York, F. S. Crofts & Co., 1933.

99. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 222. "Jede zwischenmenschliche Beziehung, auch wenn sie scheinbar nur zwischen Individuen stattfindet, kann soziologisch nur verstanden werden wenn wir sie auf Verbände ausrichten, denen die Individuen angehören."

his theory, not without a satiric touch. That two people touch with their lips, maintains Sombart, does not mean a kiss as yet; it is, first of all, a physical fact. They could also come into the same contact through a push or a fight. One could also see therein a physiologic-psychological phenomenon like the nibbling of birds. What makes the kiss a matter of sociological concern are the sense-contexts, the associations to which the participants belong that determine the sense and surroundings of the kiss. For example, the nationality through its mores, religious community through its moral codes, class, family, parents, children, marriage, friendships, prostitution. Then the alliance forms which determine the environment for the kiss: railway, the kiss in a tunnel, etc., are to be considered.⁽¹⁰⁰⁾ Perhaps Sombart should have added that the fact itself that the kiss is expressed in touching the lips and not the nose marks the events as belonging to a definite civilization. "The belonging to an association gives any social phenomenon its sense and significance."⁽¹⁰¹⁾

Human behavior makes sense ("sinn-adequat") when it coincides with the sense-relationships of the association concerned and makes no sense ("sinn-inadequat") otherwise. The buying of a ticket on a train, showing it to the conductor, reserving a place, makes sense in the sense-relationship "railway." A hold-up in a train has no sense in the sense-relationship, "railway," although it receives sociological meaning

100. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 222. "Machen wir uns das an einer beliebigen 'zwischenmenschlichen,' 'Beziehung' klar, etwa dem Kusse. Dass zwei Menschen sich mit den Lippen berühren, ist zunächst eine rein physikalische Tatsache, die noch keinen 'Kuss' bedeutet: sie könnten ja durch einen Stoss zu dieser Berührung gekommen sein. Man mag ferner darin eine physiologisch-psychologische Tatsache erblicken, die leiblich-seelische Ursachen und Wirkungen hat. Dann wäre der 'Kuss' ein Problem, das dem Schnäbeln der Vogel entspräche. Will ich den Kuss aber als eine spezifisch zwischenmenschliche Angelegenheit 'Verstehen', so muss ich nach der 'Bedeutung' des Kusses fragen und damit wird der Kuss oder das Küssen, ein Problem der Soziologie. Nach unseren obigen Feststellungen muss eine Soziologie des Kusses den Vorgang des Küssens den Verbänden zu ordnen, die für ihn in Betracht kommen, denn nur von diesen empfängt er seine 'Bedeutung'. Da kommen zunächst in Betracht die Verbände, in denen die Küssenden stehen und die den Sinn der Kusses entscheidend bestimmen: Nationalität (durch ihre Sitte), Religionsgemeinschaft (durch ihre Moralgebote), Klasse, Familie (Eltern! Kinder! Geschwister!), Ehe, Brautstand, Freundschaft, Prostitution, Theater; sodann die Verbände, die die Umgebung für den Kuss bestimmen: Eisenbahn (der Kuss 'im Tunnel' empfängt seine soziologische Bedeutung wesentlich durch die Einrichtungen, die durch jene geschaffen sind; Einteilung in Abteilklassen, Beleuchtung, Tempo der Fahrt u. s. w.). Ballsaal, Kontor; endlich, sind von Wichtigkeit für die Würdigung des Kusses die Rechtsanschauungen, die in einem Staate herrschen: man denke an die Kusstaxen, die die amerikanischen Gerichte aufgestellt haben und ähnliches."

101. Ibidem, "Diese Verbandszugehörigkeit gibt jedem sozialen Vorgang erst seinen Sinn und seine Bedeutung."

in the sense-relationship, "gangster." "With this assumption of a possible senseless behavior, the noological (102) approach here represented is guarded against confusion with a relationalistic conception of human history." (103) In the latter conception of history, the sense underlying any sense-relationship of living people is rational. Irrational behavior is thought of as the exception outside the realm of common sense. The noological method, on the contrary, finds the sense underlying any sense relationship of living people, rational as well as irrational. "... Apollo and Dionysius participated alike in the creation of human society." (104) The exception that is outside the realm of common sense is not irrational behavior but "senseless," in the light of the ultimate ends of the given sense-relationships, which can be of rational but also irrational nature. In other words, we can understand irrational behavior, but we cannot understand "senseless" behavior because it lacks any orientation toward the given sense-relationships. It is therefore that Sombart claims that the noological method takes full account of the irrational "demonic" forces of human nature which are so largely responsible for social and economic behavior.

Unlike its status in the United States or France, sociology in Germany has not found as yet its full recognition as a special scientific discipline, and a controversy about its *raison d'être* is still in existence. Many economists are sociologists as well; they write elaborate treatises containing everything under the sun, and there is no clear conception of what sociology is. If sociology is a general science of human sociability, what is its relationship to history, which rightly claims the same title? If sociology is a special science, what is its subject matter and in what sense does it differ from the other special social sciences? Sombart, basing his type of economics on a definite social theory, cleared the confusion, drawing fine lines of demarcation between sociology and economics and the other social sciences.

Sociology is to Sombart "the science of human sociability, the science

102. Noological or cultural-scientific is Sombart's name for his method, which derives its notion from the peculiar way of obtaining knowledge in the realm of culture called *verstehen* as opposed to the *nomological* method or natural-scientific, which derives its notion from the standard way of obtaining knowledge in the realm of Nature called *Begreifen*. (See more fully next chapter.)

103. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 222. "Mit dieser Annahme eines möglicherweise sinnungemässen Verhaltens verwahrt sich die hier vertretene noologische Betrachtungsweise gegen die Verwechslung mit einer 'rationalistischen' oder 'intellektualistischen' Auffassung der Menschheitsgeschichte, das heisst einer solchen, die alle Vorgänge rationalistisch-intellektualistisch zu deuten, sie auf rationalistisch-intellektuelle Bewusstseinsvorgänge zurückzuführen versucht."

104. Ibidem.

of human society, of living by and for others." (105) Sombart prefers the term "human sociability" to the term "society" because of the dynamic character of social life. Society has the connotation of something static, real; yet in actuality it is a fiction. Nobody can describe, maintains Sombart, the totality of people belonging to society with the same precision as we can do it for the state, family or any other alliance form.

Different aspects of behavior lead human beings into social relationships. These aspects compose the separate spheres of human society; for example, economy, state, law, church, the systematized knowledge of the respective cultural spheres originates the respective scientific disciplines, economics, jurisprudence, theology. It is common to all of these disciplines that they treat some aspect of human sociability. That is, they treat social problems. Yet not all of them are social sciences. Sombart makes the distinction between social sciences and socially oriented sciences. In the former, each discipline has an organized cultural sphere for its subject matter. For example: public law has the state, economics the economy for its subject matter. The social point of view is here fundamental, these disciplines can not be thought of except in terms of society. The socially oriented sciences, although they are oriented toward society, can also be thought of without society: e. g., theology, law, art, grammar, etc.

Sociology deals with human sociability as a whole, and the interrelationships of its parts, of its special aspects; for example, the economic, legal, religious correlation in criminality, etc. These interactions, that is "human life by and for others", are also the subject matter of history. The place of history among the other cultural sciences Sombart finds peculiar. History, in consonance with its meaning in early Greek, is, in the first place, "source inquiry". Source inquiry, however, is not a scientific branch of knowledge, but a mode of procedure and as such contained in every science as a special department, for example: history of law, history of economics. History, then is doing something that the special cultural sciences do not do. Namely, maintains Sombart, it fuses them together and shows the relationship that exists between the spheres of culture and gives a presentation of the process of human history as a whole. (106) Evidently this is the purpose of any general empirical science of human sociability. If history fulfills it, what then, is Sociology doing?

A cultural science has an empirical, theoretical and practical subject matter which gives rise to the history, the theory and art of any special science. "Empirics is the knowledge of the particular in time and

105. Sombart, Werner, *Nationalökonomie und Soziologie*, 1930, p. 3. Kieler Vorträge, No. 33. Edited by Bernhard Harms. "Soziologie ist die Lehre vom menschlichen Zusammenleben, die Lehre von der menschlichen Gesellschaft, von dem Leben durch und für andere."

106. Sombart, Werner, *Nationalökonomie und Soziologie*, p. 5.

space.”(107) That is knowledge derived from experience. The particular recurs singly or in groups, and can therefore be observed as individual or collective happenings. The empirics of economics, for example, consists of the average representative happenings in the organized sphere of culture called economy. Theory is the knowledge of the general. “This general is never in time and space, never in actuality.” (108) Theory deals with the possibilities, probabilities, and causalities of a given set of phenomena. “History is culture-actuality, man’s activity in time and space.”(109) History is the empirics of human sociability; sociology is a theoretical and not an empirical science because there is no general empirics. The human mind manifests itself always in concrete independent ultimate forms—cultural spheres, like art, law, state, religion, etc. They serve as the empirics for the respective special sciences, but there is no general empirics. Hence, there is no subject matter for sociology as a general empirical science. History finds its *raison d’être* because it fuses together the histories of the special social sciences and represents the process of human history as a whole. To fuse the theories of the special sciences together is a synthesis that philosophy alone is able to make. Hence, the only field available for sociology is the theory of history, the theory of human sociability. Since theory and history are to Sombart indispensable to comprehend reality, sociology and history therefore constitute the general science of human sociability. A work can be sociological as well as historical, since any actuality that is understandable is, to Sombart, history. Everything that is real is in the past. (110) The present is never known at present. Life itself is fulfilled in death and understood afterwards, says John Dewey somewhere.

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107. Ibidem, p. 5. “Empirie ist die Wissenschaft von dem Besonderen in Raum und Zeit, dem Einmaligen können wir auch sagen. Alles, was wirklich ist, ist einmalig; das Wirkliche tritt nur einmal auf. Dieses Wirkliche, dieses Besondere, dieses Einmalige kann man unter sehr verschiedenen Gesichtspunkten betrachten, indem man es z.B. einzelmässig oder gruppenmässig betrachtet, individualisierend oder kollektivisierend.”
108. Sombart, Werner, *Nationalökonomie und Soziologie*, p. 6. “Dagegen ist nun Theorie die Wissenschaft vom Allgemeinen, oder, wie ich es nenne, die Wissenschaft von den Denkbarekeiten, d. h. erstens von den Möglichkeiten—Klassifikatorische Tätigkeit—, zweitens von den Notwendigkeiten und drittens von den Wahrscheinlichkeiten. Dieses Allgemeine ist niemals in Raum und Zeit, ist niemals Wirklichkeit.”
109. Ibidem, p. 3. “Geschichte ist Kulturwirklichkeit, Betätigung des Menschen in Raum und Zeit, menschliches Zusammenleben. Dass alle gesellschaftliche Wirklichkeit Geschichte, d. h. Geschehenes ist, darüber kann kein Zweifel obwalten; denn es gibt keine Gegenwart, es gibt nur Vergangenheit. Aber alle Geschichte ist auch gesellschaftliche Wirklichkeit, d. h. alle Geschichte ist soziale Geschichte, und es ist nur eine Abstraktion, wenn wir von einer besonderen Religions-oder Staats-oder Rechtsgechichte reden, da alle Kulturbetätigung in der Gesellschaft geschieht.”
110. Sombart, Werner, *Die drei Nationalökonomien*, p. 311.

We can construct a "fictitious present", as Sombart does in economics; in which he understands the time interval of past and future, in which approximately the same economic outlook, the same economic order, and the same technology, prevail. (111) Then we could say that history is the longitudinal section of human society; what we see is the dynamic. Sociology is the cross-section of human society; what we see is the static. Sombart, however, thinks "there is a danger when the concept of sociology is extended into the sphere of empirics that the border between theory and empirics will be ripped away." (112) That sociological work contains history and a historical work contains sociology is, to Sombart, self-evident. One cannot write a legal history without mastering law, just as one cannot expound theories of the universe without mastering the history and evolution of physics. Sombart recognizes the distinction between "form" and "content," sociology dealing with the "forms" of human sociability, the special social sciences dealing with the "content" of human sociability. "Forms" are the ultimate general modes of reciprocal relationships among human beings, abstracted from the different "contents" within which they are manifested. As much as Sombart approves this distinction, he finds that the idea has been as yet inadequately represented, even in the most lucid exposition; namely, that of Professor Georg Simmel. While Simmel thought the reciprocal relationships *Wechselwirkung* among human beings constitute the of human sociability, Sombart holds them to be its very content. According to Sombart, then, "forms" are not the *Wechselwirkungen* themselves, but groups of *Wechselwirkungen* that manifest ultimate general modes of reciprocal relationships among human beings. The actual *Wechselwirkung* itself is, to Sombart, nothing but a "content". This saves Sombart's position. Otherwise, he would have been exposed to the same criticism as Simmel. Perhaps the best way to acquaint the reader with this criticism is to quote an illuminating passage from an authoritative source:

"The distinction thus drawn is no doubt legitimate, but in practice it is exposed to all the dangers familiar in philosophical speculation whenever a distinction has been made between form and matter. The separation tends to be made too sharply, as, for example, when some formal logicians have thought that it is possible in Logic to abstract entirely from the matter of thought or from what one is thinking about and still find general principles or forms in accordance with which all thought whatsoever takes place. Critics of this school of logic have pointed out that this is strictly an impracticable task, since the form of thought is modified according to the matter in which it appears. Attention to forms to the exclusion of matter is apt to lead to bare and empty generalities. The tendency to excessive formalization is already to be detected in some of the members of this school of sociology, some of whom have drawn up possible lists of human relationships not based upon inductive comparison and generalization, but on arm-chair philosophizing. Apart from these general difficulties, moreover, this

111. Sombart, Werner, *Die drei Nationalökonomien*, p. 311.

112. Sombart, Werner, *Nationalökonomie und Soziologie*, p. 6.

view of sociology is open to two others. In the first place, it may easily come to regard certain forms of social relationship as involved in the nature of society or association as such, whereas, in truth, they may be the results of special causes, historical or psychological, or arise out of specific human interests. Whether this be so or not, it is impossible to decide without attention to the matter or content of the relationship in the different forms in which it appears. Are the poor, for example, always to be with us? Do they arise necessarily out of the formal relation between individuals, or are they the result of special causes historically determined?" (113)

Sombart's answer would then be:

"As opposed to this, I think from the point of view that we take here, the distinction between Form and Content is apt to be made easily and with certainty. We shall call all that is Mind in social relationships the Form, all the rest—that is, all the actual manifestations of living man—the Content. The content of social phenomena is accordingly the total of inner manifestations of living people in society, their inclinations, striving, motives, aims, resolves, movements and actions. The form, on the contrary, is all the social relationships inside of which the thinking, feeling, willing and action of man are effectively performed. We shall distinguish an external and internal form. The external forms are composed of the sense-relationships in which the people stand: the association forms; the internal forms are the isolated sense-contents of human behavior. Here belong the categories of power, domination, prestige, authority, law, violence, despotism, combat, competition, heredity, tradition, symbols, etc. However, it must be observed that all these sense-contents ultimately depend upon the sense relationships, the alliance forms; wherefore we can designate them as the basic forms of human sociability." (114)

Human sociability is organized according to definite policies. Every organized cultural sphere has its own art, its own policy. For example,

113. Ginsberg, Morris, *Studies in Sociology*, 1932, pp. 3-4.

114. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 223. "Demgegenüber glaube ich, dass von dem Standpunkte aus, den wir hier einnehmen, die Unterscheidung von Form und Inhalt sich leicht und mit Sicherheit vornehmen lässt. Wir werden alles, was an den sozialen Beziehungen Geist ist, die Form, alles übrige, also alles (Körperlich-) Leiblich-Seelische, den Inhalt nennen. Inhalt gesellschaftlicher Vorgänge ist demgemäss das insgesamt von Seelenausserungen der in der Gesellschaft lebenden Menschen: ihre Neigungen, Strebungen, Motive, Zwecke, Entschlüsse, Bewegungen, Handlungen: Form hingegen sind alle Sinnzusammenhänge, innerhalb derer das Denken, Fühlen, Wollen und Handeln des Menschen sich wirksam betätigt. Wir werden eine äussere und eine innere Form unterscheiden können. Die äussere Form bilden die Sinnzusammenhänge, in denen die Menschen stehen: die Verbandsformen; die innere Form, die einzelnen Sinngehalte, in denen das menschliche Verhalten verläuft. Hierher gehören die Kategorien Macht, Herrschaft, Prestige, Autorität, Recht, Gehalt, Willkür, Kampf, Konkurrenz, Erblichkeit, Tradition, Symbole, u.s.w. Alle diese Sinngehalte bleiben aber, das muss wohl beachtet werden, letzten Endes in Abhängigkeit von den Sinnzusammenhängen, den Verbandsformen, weshalb wir diese auch als die Grundformen des menschlichen Zusammenlebens bezeichnen können."

economic policy, naval policy etc., which are products of the theory and history of the respective sciences. Politics then coordinates all these special policies into a whole under one philosophy and view of society, from which the norms are taken to interrelate the special policies among themselves. Thus, whereas the art of science, the special policy of an organized cultural sphere, takes its norms from the inner logic of the given subject matter, teleological norms but not necessarily subjective ethical judgments, the norms of politics, on the other hand are strictly subjective, bound up with the given philosophy, moods and feelings of the ego. Ethics is inseparable from politics. Its separation from economics as well as from any other social science is imperative.

Sociology is then the theory of human sociability; history, the empirics of human sociability; the arts are the special policies of human sociability. The relationships between sociology and history are the same as economic theory and economic history. Similar views on this topic to that of Sombart are also shared by some of the leading French thinkers like Professor Pirenne and Professor Sée.

To sum up: 1. Sociology to Sombart is a science; that is, it aims at knowledge of general validity (Differentiation from social philosophy). 2. Sociology is a cultural science (Differentiation from the natural sciences), and, as such, relies upon its own mode of inquiry, called *verstehen*. 3. Sociology consists of two parts: a general sociology which is always theoretical and contains a typology of human relations in form purity; and a series of special sociologies—the sociologies of the special culture-circles, like a sociology of capitalism or a sociology of the Catholic church which can be theoretical and empirical. Sombart rejects any general empirical sociology, leaving the synthesis of the special sociologies to social philosophy.

§6. Sombart distinguishes in accord with a dualism in the way of knowing the realms of Nature and Culture, two types of sociology, the psychological (natural-scientific) and the noological (cultural-scientific).

"The psychological sociology endeavors to resolve human culture into a complex of psychic events. The final elements of these complexes however are sensations, instincts, drives so that human society appears to them as a 'network of drives.' They conceive human culture thereby in close relation with external nature in which the same impulses are active as in humanity (beloved analogies with animal sociability! self-evident derivation of humanity from the animal kingdom!) and consider history as ultimately subject to the same laws of the natural process as the whole cosmos. We can therefore consider it as naturalistic sociology. Since psychological sociology endeavors to construct all culture from ultimate psychic elements, it becomes necessary for them to resolve all objective mind likewise into psychic elements. Hence, language, religion, state, art, economy are resolved into their psychic elements, and their origin traced to psychic elements and from these to psychic events, and thus derived from 'human nature.' Language, religion, state, art, economy did not exist before men created them: they are creations of successively active individual psyches.

Hence, logically the final goal of psychological sociology is a nomology, after the manner of all natural sciences, that means setting up of general laws or laws of such generality that the elements which are correlated therein are absolutely simple units. Since society is resolved into psyche, the basic fundamentals are psychic elements; hence, it follows that all regularity is of a psychological nature and the basic laws are psychological laws (especially clear in the case of Wundt and his following). Consequently, psychology, preferably in its natural-scientific variation, is also the basic science for sociology." (115)

Sombart rejects decidedly the psychological type of sociology because it is directed by a false conception of the problem. Mind cannot be resolved into psyche and culture cannot be derived from ultimate psychic elements, because mind is shaped by culture; psyche, however, by nature. I can understand other people's minds through the social mind of their time and space, but I cannot understand other people's psyches. I might be able to guess it through intuition, through similar inner experience understanding their psychic processes from my own. Knowledge in the realm of culture is obtained by methods entirely different from those proper in the realm of nature.

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115. Sombart, Werner, *Soziologie*, 1923, pp. 8-9. "Die seelwissenschaftliche oder psychologische Soziologie ist bestrebt, die menschliche Kultur als komplexe Seelenvorgänge der einzelnen aufeinander wirkenden Individuen zu verstehen, und versucht, diese komplexen Seelenvorgänge in letzte, einfache seelische Grundtatsachen aufzulösen. Diese letzten Grundtatsachen sind aber Gefühle, Instinkte, Triebe, so dass die menschliche Gesellschaft ihnen als ein 'Geflecht von Trieben' erscheint. Sie stellen damit aber die menschliche Kultur in einen engen Zusammenhang mit der äusseren Natur, in der dieselben Triebkräfte wie in der Menschheit wirksam sind (beliebte Analogien mit tierischen 'Gesellschaften'! selbstverständliche Ableitung der Menschheit aus dem Tierreich!), und betrachten die Geschichte als einen letzten Endes denselben 'Gesetzen' wie der gesamte Kosmos unterstehenden Naturprozess. Man kann sie deshalb auch als naturalistische Soziologie bezeichnen. Da das Bestreben der psychologischen Soziologie darauf gerichtet ist, alle Kultur aus letzten seelischen Grundtatsachen aufzubauen, so ergibt sich für sie die Notwendigkeit, alles objektiv Geistige ebenfalls in Seelisches aufzulösen. Also werden Sprache, Religion, Staat, Kunst, Wirtschaft in ihre seelischen Elemente 'aufgelöst,' wird ihr 'Ursprung' aus Seelenvorgängen nachgewiesen und da aus elementaren Seelenvorgängen, so als aus der 'Natur des Menschen' folgend, Sprache, Religion, Staat, Kunst, Wirtschaft waren also nicht, ehe sie die Menschen erschufen: es sind Schöpfungen individueller, aufeinander wirkender Seelen. Ganz logisch ist das letzte Ziel dieser psychologischen Soziologie nach Art aller Naturwissenschaften eine Nomologie, d. h. die Aufstellung allgemeiner Gesetze oder von Gesetzen von einer Allgemeinheit, bei der die in Beziehung gesetzten Elemente letzte Grundtatsachen sind. Da die Gesellschaft in Seele aufgelöst wird, die Grundtatsachen also seelische Elemente sind, so folgt, dass Alle Gesetzmässigkeit psychologischer Natur ist und die Grundgesetze psychologische Gesetze sind (besonders deutlich bei Wundt und seiner Gefolgschaft). Folgerichtig gilt die Psychologie—am liebsten in ihrer naturwissenschaftlichen Spielart—als die Grundwissenschaft auch der Soziologie."

"It cannot, therefore, be the purpose of social science to proceed after the manner of the mechanical natural sciences and to explain the social cosmos out of the movement of psychic atoms. As I pointed out in my historical study (*Das Lebenswerk von Karl Marx*, 1909), Newton stood godfather to this psychological sociology. But today we are a great deal farther advanced and credit to the mind what is the mind's and therefore we cannot be satisfied with the application of the natural scientific procedure to any cultural science, least of all to sociology." (116)

Opposed to the psychological type of sociology is Sombart's noological type, which derives its notion from the peculiar way of obtaining knowledge in the realm of culture called *verstehen*, with which we deal in the next chapter.

"I called the concept, 'understanding,' the central concept of our science. And it is so, because ours is a cultural science. All thinking in cultural sciences is directed towards understanding, that means towards knowledge from inside outwards, in contrast to natural sciences, which are able to 'comprehend,' that is, to achieve knowledge obtained from outside inwards. In its goal all scientific sociology is *verstehende* sociology. What we do not 'understand' is either metaphysics or unripe science. . . . It is an inexcusable backwardness when even today we are advised time and again to apply the principles of mechanics or the other natural sciences to cultural phenomena, in the illusion that the natural scientific method alone is able to furnish us with 'true' knowledge; whereas the opposite is the case: 'true' knowledge extends only so far as we 'understand': that is, it is confined to the sphere of culture and fails in the sphere of nature." (117)

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116. Sombart, Werner, *Soziologie*, 1923, p. 10. "Es kann deshalb auch nicht die Aufgabe der Gesellschaftswissenschaft sein, nach Art der mechanischen Naturwissenschaften zu verfahren und den gesellschaftlichen Kosmos aus der Bewegung seelischer Atome zu erklären. Wie ich in meiner historischen Studie nachgewiesen habe, hat bei dieser naturalistisch-psychologischen Soziologie Newton Pate gestanden. Aber wir sind heute ein Stück weiter gekommen und geben dem Geiste, was des Geistes ist, und können uns deshalb bei keiner Kulturwissenschaft, am wenigsten bei der Gesellschaftslehre mit der Anwendung der den Naturwissenschaften entlehnten Betrachtungsweisen zufrieden geben.
117. Sombart, Werner, *Soziologie*, 1923, p. 13. "Ich nannte den Begriff des Verstehens einen Zentralbegriff unserer Wissenschaft. Und er ist es, weil diese eine Kulturwissenschaft ist. Alles Trachten der Kulturwissenschaft ist auf Verstehen gerichtet, d. h. auf Erkennen von innen nach aussen, im Gegensatz zur Naturwissenschaft, die nur zu begreifen, d. h. nur von aussen nach innen zu erkennen vermag. In ihrem Ziel ist also alle wissenschaftliche Soziologie 'verstehende' Soziologie. Was wir nicht 'verstehen' ist entweder Philosophie, also Metaphysik, oder unfertige Wissenschaft. Auf das Verstehen hin müssen also auch beide Richtungen der Soziologie eingestellt sein. Es bedeutet eine unverzeihliche Rückständigkeit, wenn uns heute noch immer wieder zugemutet wird, die Prinzipien der Mechanik oder anderer Naturwissenschaften auf Kulturphänomene anzuwenden, in dem Wahne: erst die naturwissenschaftlichen Methoden vermöchten uns die "wahre" Erkenntnis zu liefern, während die Sache doch umgekehrt liegt: "wahre" Erkenntnis reicht soweit wir 'verstehen,' d. h. beschränkt sich auf den Bereich der Kultur und versagt gegenüber der Natur.

§7. Sombart's primary conception, the notion of the *Geist*, is a social-psychological category dating back to Hegel and belonging to the peculiar trend of German thought that culminates in Oswald Spengler. Ultimately the notion of the spirit is a distant relative of the *Volksgeist*. The life process of the institution Capitalism is regarded as an immanent unfolding of an inner Spirit called *Der Kapitalistische Geist*. It is the Spirit that determines the roads of history and, just as, in Hegel, the national genius is the banner bearer of the *Volksgeist*, so in Sombart the entrepreneur is the exponent of the "capitalistic spirit." But whereas the romantics accentuated the irrational and sub-conscious in the connotation of *Geist* in contrast to the rationalist to whom mind meant rational thinking and conscious reasoning, Sombart hides nothing mysterious in the connotation of *Geist*. In plain English, it is "social mind" and is the backbone of social-psychology. The trouble with the latter is that its field is not yet carefully delimited; but if social-psychology is the science of the social mind, then it would coincide with Sombart's *Geisteswissenschaft*. Needless to say, both disciplines are waiting for their great presentation and hence for commonly accepted definitions. Granted a totalitarian outlook on society the idea of the social mind suggests itself. The individual minds, as we have seen in process of association and interaction, generate a superindividual mental atmosphere from which each individual takes his norms of behavior and which, thus shapes in turn the individual minds, and just as the individual mind, *subjektiver Geist*, controls the individual throughout his life, so does the social mind, the *objektiver Geist*, control nations and civilizations throughout their life history by means of their law codes, constitutions and institutions, which are objectified and precipitated mind. This social mind unfolds itself not according to any preordained mysterious way of the Romantics, but is the specific outcome of human sociability at definite historic intervals. Those who assume inborn instincts of man, those who believe in the acquisitive instinct, instinct for power, invention, etc., as the original qualities of human nature, are likely to discover the *Kapitalistische Geist* in different successive civilizations at different historic times and locations as a necessary stage in economic evolution. To Sombart it is not an absolute universal necessary stage of any civilization, but a unique episode, a product of many historic accidents and coincidents of a definite civilization in which and perhaps for all eternity only in which was the outcome of human sociability the "Capitalistic spirit."

"It is a fundamental contention of this work that, at different times, different attitudes toward economic life have prevailed, and that it is the spirit which has created a suitable form for itself and has thus created economic organizations." (118)

Yet, aside from the sound of the term, there is nothing metaphysical hidden.

"The economy, like all culture, consists not only of spirit but also of soul and body: every decision to economic action, as well as the labor which executes the decision, is soul; and every cotton bale, as well as every ox, is body. But it is only in intellect, in mind, that 'soul' and 'body' find their meaning—neither the motive of the entrepreneur nor the ox concern us so long as they are not embodied in the objectified human mind in the sense-relationship enterprise." (119)

Sombart claims decidedly to exclude metaphysical notions from economics. The frequent use of philosophy to verify truths that cannot be verified empirically sometimes achieves the opposite result. This, however, is caused by the profundity and erudition of his research, attempting always to go back to ultimate fundamentals. The idea of the spirit is to Sombart a definite positivistic notion, the strongest scientific principle for any social science. The spirit *ethos* determines uniformity of social happenings, continuity of social events, and is the common basis for motive and character formation. As Dr. Talcott Parsons pointed out:

"He uses the conception of the spirit as the means to bring order and unity into the historical material. It is one of the most striking features of Sombart's work that he is able to interpret a whole epoch of history in such an illuminating and convincing way in terms of one great leading idea. It gives a unity to his presentation which marks a great advance over the entirely disconnected studies of historical facts presented by the historical school proper. It does not give the impression that he is 'philosophizing' independently of the facts. On the contrary, he is able to achieve an amazing degree of concreteness in his picture." (120)

§8. Sombart's social theory differs from the Marxian social theory which says:

"The first presupposition of all human history is naturally the existence of living human individuals, the first historical act of these individuals whereby they distinguish themselves from animals is not that they think but that they begin to produce their means of life." (121)

119. Sombart, Werner, *Die drei Nationalökonomien*, p. 175. "... die Wirtschaft, wie alle Kultur, nicht nur aus Geist besteht, sondern ebenso aus Seele und Körper: jeder Entschluss zu wirtschaftlichem Handeln wie jede Arbeitsleistung zur Ausführung dieses Entschlusses ist Seele und jeder Baumwollballen wie jeder Ochse ist Körper. Trotzdem 'Geist' wissenschaften, da Seele und Körper nur im Geistigen ihren Sinn finden, nur durch die Sphäre des Geistigen hindurch verstanden werden, überhaupt Objekte der Erkenntnis nur im Zusammenhange des Geistigen werden: weder das Motiv des Unternehmers, noch der Ochse gehen uns etwas an, sofern sie nicht in den Geist-, oder Sinnzusammenhang 'Betrieb' eingebettet sind."

120. Parsons, Talcott, *The Journal of Political Economy*, V. 36, 1928, pp. 644-45.

121. Neurath, Otto, *Empirische Soziologie*, 1931, p. 41. "Die erste Voraussetzung aller Menschengeschichte ist natürlich die Existenz lebendiger menschlicher Individuen, der erste geschichtliche Akt dieser Individuen, wodurch sie sich von den Tieren unterscheiden, ist nicht, dass sie denken, sondern dass sie anfangen, ihre Lebensmittel zu produzieren."

Sombart, on the contrary, maintains that what distinguishes man from the other living beings and makes him alone fitted to create culture is his capacity to think ideas, to fix goals, to set norms, that is, his *Geisthaftigkeit*. Sombart sees a sense to any sense-relationship in which people are bound together; hence there must be first a common tie, idea, sense, in impersonal order, before the human herd can produce goods and the required behavior is an expression of intellectual reflections, of man's intellectual capacity.

On the other hand, the chain of Marxian reasoning is quite a different one. Society has "unity" with nature, but not "identity." It derives from nature, but once having come into existence, society produces and follows its own laws of development. That is, man is developed historically from the biological species into the herd. The struggle for existence shaped the nature of man as a tool-making animal, a *homo faber*, and not an *animal rationale*. The herd became society as soon as it began to produce its own means of life. The primary proposition is that social consciousness is derived from social being.

Sombart does not say that consciousness exclusively determines being, but he would reject decidedly the Marxian *vice versa* as an absolute ultimate truth. Man is endowed by nature with *Geist* unique to mankind only, and mind is in steady interaction with being. From a pragmatic approach, it is irrelevant which was first, the egg or the hen, since any answer leaves the first cause inexplicable. The only relevant thing is the knowledge of which part of human nature is shaped by existence and hence presumably accessible to change and control.

As far as genuine evidence reveals, maintains Sombart, history is a constant interchange between ideal and material motive forces. According to the prevailing psychic constitution of the people, there are some economic epochs where the ideal predominates and some where the material predominates. In the economic system of Capitalism, the latter prevails, "but not because this is in general the predominant factor in cultural life, as a one-sided and false philosophy of history maintains, but because it is the destiny of our time that in it, and perhaps in it alone for all eternity, there is a predominance of the economic." (121) That is, Sombart accepts the Marxian economic interpretation of history not as an absolute universal postulate for all human history, but only as the destiny of a given historic epoch, as the predominant mode of behavior within the economic system of Capitalism only.

121. Sombart, Werner, *Hochkapitalismus*, p. 317. "Das 'Zeitalter des Hochkapitalismus' ist zum Beispiel eine solche Kulturperiode, die ihre Bezeichnung vom Wirtschaftlichen her empfängt, nicht aber, weil dieses ganz allgemein der primär bestimmende Faktor im Kulturleben ist, wie eine einseitige und falsche Geschichtsphilosophie will, sondern weil es das Schicksal unserer Zeit ist, dass in ihr—und vielleicht für alle Ewigkeit nur in ihr—ein Primat der Wirtschaft besteht."

Sombart does not inquire behind the destiny of the time, behind the *Geist* of the given historical epoch, since it leads to metaphysics. He takes the actual fact for granted that:

"Every culture has its definite stamp, has a centre, a principle, has a spirit, a configuration by which it must be understood." (122)

122. Sombart, Werner, *Schriften der Deutschen Gesellschaft für Soziologie* Bd. VI, 1929, pp. 216-17. "Jede Kultur hat ihr bestimmtes Gepräge, hat ein Zentrum, ein Prinzip, von dem aus sie verstanden werden muss, hat einen Geist, hat eine Gestalt. Die Frage nach der Herkunft dieser Gestalt würde wiederum ein metaphysisches Problem bilden, ob es sich etwa um einen Volksgeist handelt oder etwas, das empirisch—erlebnismässig gegeben ist."

2. METHOD

§1. The methodology and scientific goal of a science is determined by its specific subject matter. The nature of the latter is in turn determined by the approach. To Sombart there are "three and only three" approaches to all human culture as well as to economics: the metaphysical the natural-scientific, and the cultural-scientific; which necessarily lead to three entirely different methods: the normative-teleologic, the nomologic, and the noologic; and result in three types of economics: the normative, the natural-scientific and cultural-scientific. Proper systems, however, to suit such ideal frames are rare exceptions. As such ideal system Sombart considers the normative type of economics in the system of Aquinas, the natural-scientific type of economics in the system of Pareto, the cultural-scientific type of economics in his own system. The rest of the writers overlap the boundaries of Sombart's classification and present mixtures of various combinations: a fact which explains their presence in several groups. A mixture of the first two types Sombart finds in the Physiocrats, Classics, Liberals, Marginalists, Socialists and in Franz Oppenheimer; a mixture of all three types in Karl Marx; a mixture of the first and third types in Othmar Spann.

§2. The normative type of economics is mainly concerned with what ought to be and with judging the present in the light of what should be. Economics is here the science of norms. The purpose is the finding of norms for practical behavior, means for given ends, categorical imperatives. The imperative is the "just economy", the most adequate to the purpose of humanity and the conditions of social life. The central idea is the "just economy" and the other concepts are derived from it with the necessary adjective, "just", "just price," "just wage," "just distribution." Sombart does not acknowledge this type of work as scientific; since it deals with what ought to be, it is metaphysical. According to the metaphysical background and the origin of the adjective "just," Sombart distinguishes three groups of the normative type of economics:

1. *The scholastics.* The philosophy of life is Theism. The adjective "just" originates in the *lex aeterna*. The divine world plan leaves the ego free in choosing the right from the wrong. The purpose of economics is to set up norms for practical behavior adequate to the eternal law. Economy itself is only a means towards an end but never an end by itself and is, in the "cosmos of values," of lower esteem. The "just economy" rests on the principle of private property. The right of private property implies the duty of charity. Sombart includes here Aristotle, the medieval scholastics,

the romantics of the nineteenth century headed by Adam Muller, the Catholic economists, and, of the moderns, the Universalists headed by Othmar Spann.

2. *The Harmonists.* The adjective "just" originates no more in the *lex aeterna* but in the *lex naturae*. The central focus of life shifts from God to man. After creating the universe, the "invisible hand" retired, leaving the world to work like a clock mechanism. The philosophy of life is Deism. Social life, just like the physical world, is ruled by natural laws, *ordre naturel*. The concept "law" undergoes a metamorphosis; it is no more an *a priori*, legal or ethical norm, but a causal sequence of events. The *ordre naturel* exists no longer for the sake of God but for the sake of human welfare. Newton's discoveries confirmed the principle that harmony is the order of nature. Social life, when left alone, leads to harmonic settlement. The purpose of economics is to find the norms of behavior most adequate to the *ordre naturel*. The "just economy," to the physiocrats and to the classical writers, is the free competitive system. All *laissez-faire* ideas originate in the normative concept "just economy". The main condition for the "just economy" is freedom, freedom of action and competition. Men following their individual propensities, self-love and self-interest, act automatically to promote human welfare. Sombart also links the hedonistic school to the same *ordre naturel* idea. As the founder of the school, Gossen, himself states:

"The boundless goodness of God has created the world so wonderfully that the people could attain the highest pleasure, indeed could live as in a paradise, if only they recognized and followed His laws." (123)

The *ordre naturel* idea was the basis of different, sometimes opposing schools of thought in economics; yet ultimately, consciously or unconsciously, all of them share the common notion "just economy". Sombart includes here the Physiocrats, Adam Smith, the classical economists, the liberals (Bastiat), the marginalists, the Socialists before Marx, also Marx, Dühring and Oppenheimer of the modern period.

3. *The Rationalists.* The source of all norms for practical behavior is the postulates of human reason. The "just economy" is the "reasonable economy." The *ordre naturel* is the law of reason. The law of reason demands a society based on private property, freedom of contract, and the right of inheritance. Sombart includes here von Thünen, Rodbertus, Proudhon, Gustav Cohn, J. Kautz, etc.

§3. Sombart's heterodox type of economics is the culmination of the reaction against the orthodox type of economics which took over the natural scientific method. To the orthodox economist,

123. Cairnes, J. E., *The Character and Logical Method of Political Economy*, Ed. 1888, p. 47.

"Political economy seems in this respect plainly to belong to the same class of science with Mechanics, Astronomy, Optics, Chemistry, Electricity, and in general all those physical sciences which have reached the deductive stage." (124)

"Political economy is a great demonstrative science of the same rank as mechanics or optics or any other physical science." (125)

"The social science (to which economics belongs), therefore, is a deductive science: not indeed after the model of Geometry, but after that of the higher physical sciences. . . . Its method in short is the concrete deductive method; that of which astronomy furnishes the most perfect, natural philosophy a somewhat less perfect example, and the employment of which, with the adaptations and precautions required by the subject, is beginning to regenerate philosophy." (126)

"The difference between the theoretical natural sciences and the theoretical social sciences is solely a difference in the phenomena . . . but in no wise a difference of the method, since, in both spheres of events, the inductive as well as the deductive method of theoretical inquiry is admissible." (127)

Cultivating their science in the time of the noteworthy progress of the natural sciences, orthodox economists took over their aims and methods. Therefore, it can only be understood by knowing the latter. Natural science aspires to a general validity for its conclusions. For this reason, it excludes all previous approaches that interfered with knowledge of general validity, that is, the magical, the theological, and the metaphysical. With the atomistic principle it resolves events into their simplest elements. Into countable and measurable magnitudes or quantities which are counted and measured with the help of mathematics; and absolute, exact laws are abstracted with permanent validity for all time and for every variety of conditions. Countable and measurable data obtained in this way are ordered under the following concepts:

1. The general concept emphasizing the constant characteristics in the changing forms of matter by means of abstraction. In natural science it is the "substance." In the respective type of economics, as we shall see, it becomes "value." The general concept is the most important in natural sciences.
2. The structure concept emphasizing the quantitative structure "configuration" of phenomena in space, as, for example, Cecule's structure-formula in chemistry.
3. The law concept. The highest aim of natural sciences is the creation

124. Cairnes, J. E., *The Character and Logical Method of Political Economy*, 1888, p. 47.

125. McLeod, *The Principles of Economic Philosophy*, 2nd Ed., 1872, p. 122.

126. Mill, J. S., *System of Logic*, 1848, Vol. 2, p. 561.

127. Menger, Karl, *Untersuchungen über die Methode der Sozialwissenschaften und der politischen Ökonomie insbesondere*, 1883, p. 39 "Der Gegensatz zwischen den theoretischen Naturwissenschaften und den theoretischen Sozialwissenschaften ist lediglich ein solcher der Erscheinungen, welche dieselben unter dem theoretischen Gesichtspunkte erforschen, keineswegs aber ein Gegensatz der Methoden, indem auf beiden Gebieten der Erscheinungswelt, sowohl die realistische, als die exakte Richtung der theoretischen Forschung zulässig ist."

of formulae for the recognition of regularity and similarity in the succession of events; laws to order phenomena in time.

The knowledge of natural science is the exterior understanding of the part of a thing, of one aspect, the chemical or physical, etc. -- *Teilerkenntnis*. It deals with one aspect, magnitude. It orders and measures number and quantity, but never the totality, the whole, never the multiplicity of characteristics, never the reason for its existence so and not otherwise.

This type of economics, which absorbed the art of thinking of the Newtonian-Darwinistic times and took over the aims, goals and methods of the natural sciences, Sombart calls the ordering, "*ordnende*" type of economics, and distinguishes three groups:

1. *The objectivists*, who see in economic events movements of objective magnitudes and quantities: labor quantities, commodity quantities, money quantities. Sombart includes here the Physiocrats, Classicists, Epigones, Rodbertus and Marx.

2. *The subjectivists*, who trace economic events to psychological sources—the Marginalists.

3. *The relationists*, who displace the causal-genetic point of view and explain economic events by the relationships of their equilibrium, Sombart includes here Walras, Pareto, Edgeworth, Schumpeter.

The main characteristics of all the groups are:

1. *The ordnende* type of economics is the first appearance of the scientific procedure in economics as opposed to the preceding normative type of economics called *richtende*, which is metaphysical. The goal is to understand what is, and the aim is general validity for its conclusions.

2. Social sciences are sharing the method of natural science. Hence, the highest aim of the natural-scientific type of economics is to find out the laws under which the single fact can be comprehended and ordered. Facts to be ordered must be countable and measurable magnitudes. The same ordering concepts as in natural science, the mother science, are applied in the ordering type of economics.

- §4. The goal of a science is to understand a given chain of events. This can only be achieved by using an appropriate method, which takes account of the specific way of thinking which is proper to the given sphere of culture. Sombart's "Kant, who said in these (scientific) matters all that could be said", (128) found methodology of such importance that he subtitled his "Critique of Pure Reason" as *Ein Traktat zur Methode*. Curiously enough, Sombart, who experienced empirically all his life the necessity and importance of an adequate method, Sombart, who believes himself to have discovered the latter, is modest enough to place the subjective ingenuity of the scholar above method.

"... in the end scientific achievements are determined by talent and

passion and not so much by the method. . . . For the truth of this statement the history of economics affords striking proofs where excellent results were achieved by bad (methods), and insufficient results by good methods." (129)

To those, however, who see in the achievements of individual ingenuity the exception and not the rule, the only safeguard for unbiased accomplishments rests in the adequacy of the method. Sombart himself proves this. Besides the latter's brilliancy, it was the adequacy of the method of *Verstehen* and the Marxian approach (the thinking in terms of economic systems) that produced a work like *Der Moderne Kapitalismus*. As he himself says, all his similarly gifted contemporaries in the field of economics "who did not know how to make this mode of inquiry their own, were condemned to sterility." (130) The present "chaotic situation," the present crisis, is largely due to the fact that economics was cultivated as a science in the glorious time of the natural sciences from which it took over the aims and methods without being aware of the peculiar differences in the subject matter.

§5. Sombart's main thesis rests on the fact that, instead of the natural scientific monism which was till now regarded as the only way of obtaining knowledge, he finds a pluralism, or, more precisely, a dualism, in the way of knowing. The three approaches to economics — the metaphysical the natural-scientific, and the cultural-scientific — lead to three methods of obtaining knowledge; the normative-teleologic, the nomologic (natural-scientific) and the noologic (culture-scientific). The metaphysical approach is discarded by Sombart because it is not scientific in a positive, explicative sense; it is normative and there can be just as many norms as there are people in the world. Hence, it is not binding with scientific dignity; it is transferred to others not by force of quantitative evidence or common logic but by "the unknown power of the personality". The metaphysical approach to economics has its place, as proved by its very existence; not, however, in the science of economics, but in the philosophy of economics. The difference between the natural and cultural scientific procedures can only be understood when we project the respective objects, nature and culture, onto the same plane and make them comparable. Sombart traces back

129. Sombart, Werner, *Nationalökonomie und Soziologie*, p. 14. ". . . denn für wissenschaftliche Leistungen ist schliesslich entscheidend Talent und Leidenschaft, nicht so sehr die Methode. Ist man begabt und hat Leidenschaft, so wird man Treffliches auch mit einer schlechten Methode vollbringen, und fehlen Talent und Leidenschaft, dann nutzt auch die beste Methode nichts; man bringt nichts zustande. Für die Wahrheit dieses Feststellung ist die Geschichte der Nationalökonomie, die Vortreffliches mit schlechten und Unzulängliches mit guten Methoden geleistet hat, ein schlagender Beleg."

130. Sombart, Werner, *Hochkapitalismus*, p. xix. "Alle Sozialökonomien, die sich diese Fragestellung nicht zu eigen zu machen wussten, waren zur Unfruchtbarkeit verdammt, wie wir heute schon mit Sicherheit feststellen können."

"the different conceptions that have come to light in economics to their ultimate cognitive foundations." (131)

Culture, as we have seen above, is entirely a human creation, in contrast to nature, which is the creation of an infinite power, not accessible to our mind. Mind can understand other minds through similar inner experience, but never the inside of matter. "One understands completely so much as he himself is able to make and bring about," said Kant; and Novalis maintains, "We know something only so far as we can express it, that is, make it: the more completely and manifoldly we can produce and execute something, the better we know it." (132) In referring to Vico, Kant, Novalis, Goethe, von Humbolt, Schleiermacher and Herder, Sombart is far from the intention of impressing the scientific truth of his ideas by blind faith in authoritative opinion, but he finds it "encouraging and hopeful to see that the best of all times recognized the right." We understand ultimately only that which we can create, which we can do, namely culture. Why? Because culture is objective mind; the knowledge-seeking man is the subjective mind. Both are human mind. The subject and object of knowledge are identical. The subject man is the creator of the object culture; hence he can ultimately understand it:

"Behind the aroma of a rose, behind the gliding flight of a bird, behind the formation of a crystal, lies a world of wonder which remains to our mind an eternal mystery; behind a bottle of perfume, behind an airship, behind an industrial concern nothing is hidden." (133)

What does it mean to understand a physical phenomenon and how do we understand a cultural phenomenon? To answer this, Sombart

131. Sombart, Werner, *Die drei Nationalökonomien*, p. 19. "Ich versuche, die verschiedenen Auffassungen, die bisher in der Nationalökonomie zutage getreten sind, auf ihre letzten Erkenntnisgrundlagen zurückzuführen. Dadurch erfassen wir nicht nur ihre Wesenheit, aus der sich alle weiteren Einzelheiten der nationalökonomischen Lehren von selbst ergeben, sondern wir gewinnen auch die Möglichkeit, die vielen Meinungen und Ansichten gleichsam auf eine Ebene zu projizieren und sie dadurch miteinander vergleichbar zu machen."

132. Ibid. p. 199. "Nur soviel sieht man vollständig ein, als man nach Begriffen selbst machen und zustande bringen kann." (Kant) "Wir wissen etwas nur, sofern wir es ausdrücken, das ist machen können: je fertiger und mannigfaltiger wir etwas produzieren, ausführen können, desto besser wissen wir es. Wir wissen es vollkommen, wenn wir es überall, und auf alle Art, mitteilen, erregen können. . . ." (Novalis)

133. Sombart, Werner, *Die drei Nationalökonomien*, p. 196. "Hinter dem Duft einer Rose, hinter dem Gleitflug eines Vogels, hinter der Bildung eines Kristalls liegt eine Welt von Wundern, die unserem erkennenden Verstande ein ewiges Geheimnis bleibt; hinter einer Flasche Parfüm, hinter einem Luftschiffe, hinter einem Industriekonzern steckt tatsächlich—nichts."

brings six pairs of examples from the spheres of nature and culture and compares the procedure and the scope of knowledge.

NATURE

1. The jumping of kittens on the floor.
2. The rotation of the earth around the sun.
3. The chattering of a gathering of starlings.
4. The disorderly running of ants in an anthill.
5. The formation of a phalanx of flying geese.
6. The fusion of two chemical elements.

CULTURE

- 1a. The jumping of ball players on the field.
- 2a. The circling of the dancer around the danseuse.
- 3a. The chattering of an assembly of people.
- 4a. The disorderly running of people on the street of a metropolis.
- 5a. The formation of a phalanx in a hoplite army.
- 6a. The fusion of two enterprises.

In the sphere of nature, maintains Sombart, the bottom of physical events cannot be touched with absolute certainty. Ultimately all physical phenomena remain a riddle. Why do things happen in nature? Even the wisest cannot answer why they happen just as they do.

"And when we really intend to give an answer—something the exact natural sciences renounced long ago—it remains an hypothesis. . . . We assume, let us say, that the ants drag together the material for their construction, the wild geese fly in triangles in order to diminish the atmospheric pressure. The connection can also be an entirely different one. Every year there appears a new hypothesis, as to how this or that event of nature is to be explained." (134)

The only access to natural phenomena is exterior observation. The only procedure is from exterior facts to hypothetical insights, until a law is abstracted. The law is the culminating point in the nomologic method and aspires to absolute universal validity.

In the sphere of culture, Sombart finds the situation entirely different. Here we know in most cases why certain things happen, and why they happen just as they do:

- "1a. I know the rules of the ball game. A ball must be driven through a goal; hence one party makes efforts to push the ball through, the other to defend; therefore they jump past one another.
- 2a. I know the rules of dancing.

134. Sombart, Werner, *Die drei Nationalökonomien*, p. 194. "Und wenn wir wirklich eine Antwort zu geben versuchen, auf die ja die 'exakten' Naturwissenschaften (Fall 2 und 6) längst verzichtet haben, wie wir ebenfalls bereits feststellen konnten, so bleiben das 'Vermutungen,' die keinen anderen Sinn haben als den: die beobachteten Erscheinungen in unserem Verstande zu 'ordnen.' Wenn wir etwa annehmen, das die Ameisen sich das Material zu ihrem Bau heranschieben oder dass die Wildgänse im Dreieck fliegen, um den Luftdruck zu verringern. Der Zusammenhang kann auch ein völlig anderer sein: Jedes Jahr tritt eine neue Hypothese auf, wie dieser oder jener Vorgang in der Natur zu 'erklären' sei."

- ja. I know that people like to entertain, or to express their opinion, or to disturb a meeting.
- 4a. I know that each man is trying to reach a certain place on foot or by car. He also says so, when I ask him; therefore they run in disorder on the street.
- 5a. The well-considered army regulations prescribe the formation of phalanx positions in an hoplite army. The army regulations are known to me.
- 6a. Many reasons forced the representatives of two firms to amalgamate their enterprises; hence they came together and set up, after long conferences, a fusion agreement on the basis of which the fusion came about." (135)

§6. We make cultural events understandable by trying to get their meaning, and we get the meaning of any cultural phenomena by fitting the unknown into a relationship to the known, in the sense-context of the given association. We know the rules of the ball game, we know the goal; hence we are able to understand every single move of the play. In the realm of mind, we are dealing exclusively with wholes. This is a specific characteristic of any cultural science. A whole can be understood from its inner nexus, but we cannot understand ultimately that which is completely isolated. "Understand" to Sombart means to gain insight into the sense (*Sinn*). Sense means a realised idea, a unity of correlated events. Sense-grasping is grasping the essence of an innerly correlated whole and means a knowledge that shows the most important characteristic of our main interest, namely, the knowledge of the "why." The superiority of cultural-scientific insight over natural-scientific knowledge consists in the immanence of knower and knowable. The subject and object

135. Sombart, Werner, *Die drei Nationalökonomien*, p. 194. "Demgegenüber befinde ich mich in allen Fragen der Kulturkenntnis in einer grundsätzlich anderen Lage: hier weiss ich in allen Fällen, warum es geschieht. warum es gerade jetzt geschieht, warum es so geschieht, wie es geschieht. Eine Prüfung der sechs aufgeführten Fälle 1a bis 6a erweist es mit aller nur wünschbaren Deutlichkeit:

- 1a. Ich kenne die Regeln des Fussballspiels: es soll ein Ball durch ein Tor getrieben werden, also werden alle Anstrengungen von der einen Partei gemacht, den Durchtrieb zu bewirken, von der anderen, ihn zu verhindern: deshalb springen sie durcheinander. Ich weiss auch, was die Spielenden veranlasst, sich jetzt zu betätigen: vielleicht üben sie für einen Wettbewerb oder dergleichen;
- 2a. Ich kenne die Tanzregeln;
- 3a. Ich weiss, dass die Menschen sich unterhalten wollen oder ihre Meinung zur Geltung bringen, oder die Versammlung stören wollen usw.;
- 4a. Ich weiss, dass jeder Mensch zu Fuss oder zu Wagen einem bestimmten Ziele zustrebt: er sagt es mir auch, wenn ich ihn frage;
- 5a. Die wohldurchdachte Heeresordnung schrieb die Aufstellung der Hopliten in Phalanxstellung vor: diese Heeresordnung kenne ich;
- 6a. Zahlreiche Gründe haben die Vertreter zweier Firmen veranlasst, ihre Unternehmungen zu verschmelzen, nun kommen sie zusammen und setzen in langer Beratung den Vereinigungsvertrag auf, kraft dessen die Fusion stattfindet."

of knowledge are identical. The subject is a human mind, the object is precipitated or objectified human mind,—culture. Both are human mind; hence one can understand the other on the basis of the psychological law that like understands like. The whole notion of “understanding” rests on this inner relationship, on this inner mutual familiarity, of everything intellectual because of the identity of human intellect. Whatever man creates is the expression of identical aptitudes innate in his kind.

“He is the creator of this world as God of the world in general: he is the God of this world, the all-knowing God. Just as God knows the world in general, so does he know his world, the world which he created.” (136)

We also deal with wholes in the sphere of nature. For example, all the living organisms are wholes. Any attempt, however, to get the essence in the sphere of nature leads for lack of insight to speculative metaphysics. Knowledge in natural sciences is exterior partial comprehending, *Be-greifen*. Culture-scientific knowledge is “essence-understanding.” We proceed from the known inside to the observable outside. The noologic method permits an insight into the causality that natural-scientific knowledge does not grant. *Be-greifen* in the sphere of nature vs. *Verstehen* in the sphere of Culture. Transcendent knowledge vs. immanent knowledge. The noologic method (*Verstehen*) differs fundamentally from Behaviorism. The latter disregards the intellectual wholes in which all mind manifests itself and tries to understand man’s behavior mechanically and externally according to the external responses expressed in patterns, attitudes and symbols.

§7. The difference in the knowledge of natural and cultural sciences is clearly marked by the way their respective concepts are built. In natural sciences the general concept originates by the way of abstraction, that is, generalising: we segregate, we drop the individual, the uncommon marks of phenomena, till we arrive at the one that has identity in the many.

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136. Sombart, Werner, *Schriften der Deutschen Gesellschaft für Soziologie*, 1929, p. 212. “Woher stammt nur diese Überlegenheit der geisteswissenschaftlichen Erkenntnis, diese Überlegenheit des Verstehens? Ich antworte darauf: Sie stammt aus der Immanenz dieser Erkenntnisart. Ich spreche von immanenter Erkenntnis, weil Erkenntnissubjekt und Erkenntnisobjekt identisch sind, sie sind beide Geist. Kultur ist objektiver Geist, Verwirklichung ewiger Ideen in Seele und Körper, gesetzmässige Objektivationen menschlichen Geistes, subjektiver oder menschlicher Geist ist die spezifische Fähigkeit des Menschen zur Ideenschau, zum Zielstecken, zur Normengebung, ist die spezifische Fähigkeit der geistigen Person, die dem Menschen, soweit wir wissen, allein innewohnt. Von dieser Identität zwischen subjektivem und objektivem Geist überzeugen wir uns nicht durch einen Erkenntnisakt, sondern durch unser Schaffen. Alles, was in der Kultur ist, ist gleicherweise im Menschen. Er ist Schöpfer dieser Welt, er ist Gott in dieser Welt, allwissender Gott. So wie Gott die Welt überhaupt, so kennt er seine Welt, die er aufgebaut hat.”

We arrive at the concept "horse," emphasizing in observed examples those similarities left over after individual marks like color, height, etc., are excluded. The remaining constant is abstracted in a general unity. That is, the concept in natural sciences is built by exterior ordering of the constant marks till the concept of the species is abstracted. In cultural-sciences, claims Sombart, the concept is built entirely differently, not by abstraction but by ascertaining the essence through inner understanding. (137) We arrive at the concept "hammer" by thinking of the positive essence of a hammer as a tool for certain purposes, as "stretched arm with a hardened fist"; that is, not by ordering the exterior marks of the different kinds of hammers, but by pointing out the "essence" of a hammer. I must first know the essence of "hammer" before I can understand a blacksmith's hammer. just as I must know Capitalism before I can understand the capitalistic entrepreneur. In the sphere of Nature it is altogether the opposite. In his youth the farmer's son knows only his father's "horse." With time and intercourse, he observes similar individuals twice as large or small, black or white, and by means of exterior ordering he begins to abstract till he arrives at a general conception that has identity in the many. The general conception in the natural sciences, i.e., the law, the theory, is the culmination of research, the highest aim and conclusion. In cultural sciences it is just the opposite, it is the starting point. We can understand the ball game only when we know the goal, rules and laws of the game. Only when we know that it is a sense-relationship of purpose, and that the common purpose is to drive the ball to a certain goal, do we understand that, in the need for a united command, the respective teams select captains, work out strategy, etc. The play assumes meaning only when we know the theory, the laws, of the game.

From the peculiar way of obtaining knowledge in the realm of culture called *verstehen*, the whole type of work received the adjective *verstehende*, *verstehende* sociology, *verstehende* psychology, *verstehende* economics. The English equivalent would be "culture-scientific" or heterodox economics.

Sombart distinguishes three forms of understanding.

1. Abstract understanding (*Sinnverstehen*);
2. Concrete understanding (*Sachverstehen*);
3. Psychic understanding (*Seelenverstehen*).

§8. *Sinnverstehen* or better *reines Sinnverstehen* since all "*verstehen*" is to Sombart *Sinnverstehen* that is essence-grasping (see p. 79) means abstract understanding of the general sense, of the timeless in historical phenomena. The abstract understanding of the general in ideas, schemata, forms, like Religion, Art, Science, Law, State. In the realm of economics it means:

First: the understanding of the system-building "ideas" of economics. Ideas are meant here in the Kantian connotation, logical notions. Sombart builds up his systems of economics as we shall see later on three such "ideas." The basic idea is the notion of the economy. The *gestalt* idea is the notion of the economic system, and the working ideas. To understand abstractly the sense of these "ideas" means to analyse and emphasize them "in their conceptual purity, in their causal configuration and in their functional importance." (138)

Second: it means the abstract understanding of potential constituents of economic systems. *Analytically* we ascertain the conceivable possibilities for the economic outlook (spirit), for the forms of economic organization (order) and for the kind of technical knowledge applied in the economic progress. Sombart sees the following conceivable forms that each constituent of the economy can assume:

- A. Spirit (economic outlook)
 - 1. The principle of satisfying natural wants—the money-making principle.
 - 2. Traditionalism—rationalism.
 - 3. Solidarism—individualism.
- B. Form (regulation and organization)
 - 1. Restriction—freedom.
 - 2. Private enterprise—public ownership of the means of production.
 - 3. Democracy—aristocracy.
 - 4. Compactness—looseness.
 - 5. Production for use—production for the market.
 - 6. Individual concern—socialized concerns.
- C. Technical Methods
 - 1. Empirical—scientific.
 - 2. Stationary—revolutionary.
 - 3. Organic—nonorganic (mechanical, inorganic).

Synthetically, we ascertain the possible economic systems by combination of the forms which each element of the economic process can assume. For example: a combination of the elements, want satisfaction, production for use, traditionalism, solidarity, restriction and empirical, organic-stationary technology results in the pre-capitalistic economic system. On the other hand, the combination of money making, production for the market, rationalism, individualism, private enterprise, aristocracy, and a scientific revolutionary mechanical technology results in the capitalistic system. Or a combination of want satisfaction, rationalism, solidarity, public ownership, socialized concerns and a scientific revolu-

138. Sombart, Werner, *Die drei Nationalökonomien*, p. 206. "Diese sind in ihrer begrifflichen Reinheit, in ihrer gesetzmässigen Gestalt und in ihrer funktionellen Bedeutung zu erfassen."

tionary mechanical technology results in the post-capitalistic economic system. Again the above variations of economic systems may differ in being centralized or decentralized. That is, the plan is executed from a central point or through local self-administrative bodies. They may also differ in being monetary or non-monetary, that is, the computation is in monetary or non-monetary units. And they may differ in being remunerative or communistic according as the individual participation in the national product is based on skill or on needs.

Third: *Sinnverstehen* in the sphere of economics means the understanding of the general categories of the economy that have no concrete meaning by themselves, like production, productivity, etc.: concepts at home in every economic system, and only from the latter receiving their definite meaning. All assertions that we make with the help of *Sinnverstehen* are of a *a priori* nature based on reason and not on experience.

§9. *Sachverstehen* means concrete understanding of phenomena as they have taken shape in time and space, materialized in history; understanding of the real economy. There are no isolated happenings in the sphere of culture. Human behavior, as we have seen, takes place in actuality always in some sort of sense-relationship. A sense-relationship is a unity of innerly correlated particular events.(139) Hence, cultural phenomena can only be understood when related to the sense-relationship in which they occur. "Since the concern is (in concrete understanding) to relate single phenomena in a materialized sense-relationship, that is, in a sense-relationship in history, all concrete understanding is historic understanding."(140) Therefore, "the historic approach is the necessary approach of any economic theory."(141)

The joining of single events into a meaningful unity occurs in different ways. Sombart distinguishes three forms of sense-relationships:

1. Sense-relationship by purpose (*Zweckzusammenhang*): People enter into certain relationships with other people for definite purposes. The purpose of the whole determines the behavior of the single unit. For example, enterprise, cartel, union, strike, etc.

2. Sense-relationship by style (*Stilzusammenhang*): People are brought into certain relationship with other people by superindividual forces which in themselves have no purpose, yet determine as wholes the behavior of the single unit. That is, the behavior of the single unit is

139. Sombart, Werner, *Die drei Nationalökonomien*, p. 210. "Einheiten innerlich zusammengehöriger Einzelheiten."

140. Ibidem, p. 210. "Da es sich um die Einordnung einzelner Erscheinungen in einem verwirklichten Sinnzusammenhang handelt, also um einen Sinnzusammenhang in der Geschichte, so ist alles Sachverstehen historisches Verstehen. Wiederum eine wichtige Einsicht: dass die historische Betrachtungsweise ein Apriori jeder nationalökonomischen Theorie ist, sofern sie das Sachverstehen zu ihrem Inhalte hat."

141. Ibidem, p. 211.

here oriented toward the sense-relationship, yet the latter in itself has no purpose. For example: Capitalism. The aims of the entrepreneur are only to be understood in the light of the capitalistic spirit, yet Capitalism itself has no definite purpose. We can ascertain whether a certain phenomenon belongs to a *Stilzusammenhang*, "when on the one hand no purpose is traceable that causes the unity of the relationships, and on the other hand the phenomenon itself can be defined as belonging to definite sense-relationship." (142) Looking at a wage contract, maintains Sombart, we can ascertain exactly the stage of Capitalism to which it belongs.

3. Sense-relationship by interdependence (*Beziehungszusammenhang*): People are interdependent in certain relationships without experiencing the concrete existence of the sense-relationship, the who's that determines their behavior. A mass of phenomena may be conceived as a unity between which certain relationships, dependencies prevail without being a *Stilzusammenhang*. (143) The whole is here conceived by the observer but need not be felt by the actor. It is "ideal" and not "real." Sombart includes here all the world economic relations. For example, a bad harvest in the United States leads to increased crops in Argentina. The rise of Asiatic capitalism is a menace to Western European capitalism. Increased production of gold affects prices, etc. In all concrete understanding, the purpose of the economist is to relate the given phenomena to the respective sense-relationship.

§10. Psychic understanding or *Seelenverstehen* means "the insight into the soul of living people" or motive understanding. "Soul" or "psyche" however, is man's qualities bestowed by nature and not creations of Culture, hence inaccessible to our complete "understanding." It is therefore that Sombart understands men's "psyche" through the motives that the "psyche" produces, since the sense of these motives is known to us. The sense of the average representative man in a given economic epoch is accessible to our mind. It is the product of the sense-relationships in which the average representative man grows up. It is also the product of social mind, blood and environment, that formed the character type. Sombart understands the human psyche through the spirit, which is common to all souls. Understanding others is always understanding others'

142. Sombart, Werner, *Die drei Nationalökonomien*, p. 213. "Man kann an jeder Einzelercheinung leicht feststellen, ob sie einem Stilzusammenhange angehört oder nicht. Sie tut es, wenn einerseits kein Zweck sich nachweisen lässt, der die Einheit des Zusammenhangs bildet, anderseits aber die Erscheinung selber sich als zugehörig zu einem Sinnzusammenhang bestimmen lässt."

143. Ibidem, p. 214 "Ich verstehe darunter eine als Einheit gedachte Masse von Erscheinungen oder—was dasselbe ist—einen Inbegriff von Erscheinungen zwischen denen bestimmte Beziehungen (Abhängigkeiten) obwalten, ohne dass ein Stilzusammenhang oder gar ein Zweckzusammenhang besteht."

sense, *Fremdsinnverstehen*, and their sense is accessible to us. (144) It is the prevailing spirit, the source of all human motives. Psychic understanding is used here by Sombart as a social psychological category meaning motive understanding, by means of motives which are known to us. They arise from the objective mind, from the blood and environment of the actual sense-relationships. I understand the psyche of the capitalistic entrepreneur because I know the capitalistic spirit, where all his motives originate. Since the social mind or *Objectiver Geist* "which all souls have in common" is in constant unfolding and flow, it is evident that all psychological categories in economics must be of historic nature. Therefore it is wrong to set up general psychological schemata for all time and for every variety of conditions. There is no "general psychology" just as there is no "general economic man" valid for all economic systems.

"There are no motives that are the same in all historic economic constitutions . . . but to any particular structure of the economy there also corresponds a special psychic constitution of the people upon whom it rests." (145)

The primitive economy is dominated by other motives than the handicraft economy and Capitalism by others than a communistic economy.

§11. A motive is to Sombart "the sum total of everything psycho-intellectual (*Seelisch-geistige*) that determines human action." (146) Motives are the ultimate causes of human behavior and behind them Sombart does not inquire, since it leads to *infinity in regressum*. There is no single

144. Sombart, Werner, *Die drei Nationalökonomien*, p. 226. "Richtig dagegen erscheint mir diejenige Theorie zu sein, die zu ihren Vertretern Max Weber, Spranger, Binswanger, Graumann, übrigens auch den Schüler der 'Ethik' u. a. zählt, wonach wir Seele durch Geist, im gleichen Geist, an dem alle Seelen teilhaben, verstehen. Wir verstehen seelische Vorgänge, vor allem also Motive, aus dem geistigen Zentrum eines anderen heraus als 'intentional' auf etwas gerichtet, an etwas orientiert, das wir kennen. Fremdverstehen ist also immer Fremdsinnverstehen, wobei der Sinn uns vertraut ist."

145. Sombart, Werner, *Die drei Nationalökonomien*, p. 227. "Es gibt keine Motive, die in allen geschichtlichen Wirtschaftsverfassungen dieselben sind. Es gibt keine allgemeine Wirtschaftspsychologie; ebensowenig wie es einen 'allgemeinen Wirtschaftsmenschen' (selbst nicht als Fiktion) gibt. Sondern jeder besonderen Gestaltung der Wirtschaft entspricht auch eine besondere Seelenverfassung der Menschen, auf denen sie ruht. In der primitiven Wirtschaft herrschen andere Motive vor wie im Handwerk, im Kapitalismus andere wie in einer kommunistischen Wirtschaft."

146. Ibidem, p. 225 "Unter einem Motiv wollen wir verstehen, den Inbegriff alles Seelisch-Geistigen, das menschliches Handeln bewirkt. Damit ist gesagt, dass bei der Aktkausalität, wie man die seelische Kausalität auch nennen kann, 'Geistiges' als notwendiger Bestandteil in den Kausalzusammenhang eingeht: derjenige Umstand, der diese Art der Kausalität von der mechanischen äusseren oder Stosskausalität am deutlichsten unterscheidet. Menschliches Handeln ist also immer ausgerichtet auf Sinnzusammenhänge, die dem Handelnden selbst oder dem Beobachter als sinnhafter 'Grund' erscheinen."

absolute predominant motive that determines general economic behavior, but every economic system rests on a peculiar psychic constitution of the people that produces its own mental atmosphere or *ethos* where all the motives, norms and values originate. To explain causally a social phenomenon means to trace it back to the motive that was the cause of the given behavior. Social phenomena, however, are interrelated; hence it is maintained that there is no single cause but a multitude; that cause and effect are in steady interfunction; and Othmar Spann goes so far even as to deny all causality in the social sciences. Nothing ends or begins in social life like material agents, but everything grows, shifts to higher forms. Hence Professor Spann replaces the category "cause-effect" by the "end-means" relationship, and sees in the interrelationship of social phenomena a "shifting of means." An increased supply leads, according to Spann, to a new price formation on account of a shift of means, (147) of a shift in evaluating the marginal utility, not as a mechanical law, but as a sensible shift in the light of an organic whole. Perhaps a passage from Spann may state his case:

"Against the repeated argument in my works, 'there is no single causality in economics and sociology,' it was maintained that I could not deny, for example, that tariffs have a certain influence on prices. Certainly I do not deny it, but I do deny that the relationship between prices and tariffs is causal, that is, of a mechanical kind." (148)

To the mind the antecedent, "increased supply", leads to the consequence, "decrease in price"—not with mechanical precision, yet a definite causal relationship is still inherent. It does not make any difference how it is worded, whether "shift of means" or in any other way. The question remains: why did the means shift? People do not start to shift their means spontaneously, human behavior is motivated and any empirically minded common sense answers "because." The *post hoc*—decreased prices—cannot follow from itself. *Nullus effectus sine causa.* That the increased supply was the *propter hoc* we can verify by the regularity with which the causal sequence recurs. But whereas the natural scientist traces the causes of given effects on the basis of "identity"—that is, the fact that water is found in the living plant where there is water in the ground leads to the conclusion that the lack of water in the ground was the cause for the given plant's death—the social scientist,

147. Spann, Othmar, *Tote und lebendige Wissenschaft*, 1929, p. 66. "Für uns ist die Sachlage vielmehr diese: dass eine Vergrößerung des Angebots sich nur dadurch und nur insofern in einem neuen Preise ausdrückt, als in ihr eine Neugliederung der Mittel, d. h. ihrer Leistungen, ihrer Rangstellung, ihrer Gültigkeiten zur Erscheinung kommt;—also bei neu geändertem Verhältnis von Mittel und Ziel von Erzeugung und Kaufkraft."

148. Spann, Othmar, *Kölner Vierteljahresshefte für Soziologie*, V. 5 1926, p. 316-17.

on the other hand, has no such direct procedure available. Human behavior is interrelated; hence, the *propter hoc* does not always appear clearly. This, however, does not mean that there is none. Although criminality may have a series of cumulative causes, the given criminal act was motivated by a definite impulse. Sombart finds Othmar Spann's thoughts true for the sphere of intellect and ideas, but decidedly false for the sphere of actuality with which all economy is concerned.

"We want not only to know how something is but just *why it is*. Why do prices rise? Why is a land depopulated? Why are concerns formed? That means, in other words: we cannot dispense with the causal-genetic approach." (149)

Spann's fallacy consists, according to Sombart, herein: he fails to recognise the difference between mechanical and psychological causation. All causal thinking is to him necessarily mechanical. Assuming this, his attack on causal thinking in social sciences becomes plausible, since the succession and coexistence of social phenomena do not proceed with mechanical precision. But does Spann really believe that orthodox economists were so bad as to believe that there is a mechanical relationship between prices and tariffs? The truth is that they used the conception of the "pure economy" where such a relationship prevails intellectually, only as a working hypothesis in their minds, to simplify the multiplicity of life. They were however aware of its limited validity since actuality is dominated by "disturbing causes." Owing to the early stage of the science, owing to the lack of any reliable quantitative evidence, there were no other means as yet of furnishing economic insight.

The inquiry into the interrelationship of social events is to Sombart nothing else than causal inquiry, but Sombart makes the distinction between the mechanical causality manifested in the sphere of Nature and motive causation manifested in the sphere of Culture. The effect in a mechanical causation like the bumping of two balls on a billiard table can be forecast and computed exactly, by knowing the force behind the attacking ball. The effect of a psychic or motive causation like calling to somebody, "come here," cannot be forecast mechanically according to formulae. It depends on the motives impud, on the sense relationship between the causer and called. In the case of father-son, the effect will be different from that of policeman—gangster. The sequence does not follow with mechanical necessity but with logical necessity. The "objectiver mind" is a necessary constituent of any human act, as

149. Sombart, Werner, *Die drei Nationalökonomien*, p. 220. "Wir wollen doch nicht nur wissen, wie etwas ist, sondern gerade auch: warum es ist. Warum steigen die Preise? warum entvölkert sich das Land? warum bilden sich Konzerne? Das heist mit andern Worten: wir können der Kausal-genetischen Betrachtungsweise nicht entbehren, wenn wir Kulturwissenschaft gründlich treiben wollen."

opposed to a natural or mechanical act. Therefore can the latter be comprehended, isolated by itself. Human action, however, "is always oriented toward sense-relationships which appear as a sensible reason to the man who is acting or to the observer." (150) The whole origin of the causal category lies, to Sombart, not in the sphere of Nature as commonly thought but in the sphere of Culture. The nucleus of the original phenomena of causal thinking, maintains Sombart in agreement with Max Scheler, consists in the fact that I find after a certain time a project realized through me and my work. People come then to observe exterior nature in terms of their own thinking. Only in cultural sciences, maintains Sombart, is causal inquiry really possible. Causal inquiry in the sphere of Nature leads, as we have seen, to metaphysics. "In cultural happenings, however, causality is an evident reality that I can verify in every human work." (151) The inquiry into the causes that force wild-geese to fly in a triangle leads to hypotheses that may change every year. The inquiry into the causes that lead two enterprises into fusion is accessible to our mind, because these events are products of human mind—culture.

§12. Economic behavior is purposive. As Professor J. M. Clark says:

"Business proceeds on the basis of expectations: expectations as to volume of sales, prices, costs of production, and ability to make collections. The whole structure is extended on a basis of credit—which is also debt, and represents an expectation that debts will be paid when due, and that the value of collateral will remain adequate." (152)

Hence, it is maintained that the adequate method of inquiry is not the causal but the teleological where the category, cause-effect, is replaced by the means-end relationship. According to the teleological approach in a phenomenon like the hunter buying a rifle to kill a deer, the death of the latter is the cause for the purchase of the rifle. Sombart rejects this approach. It is not the death of the deer but the expectation of killing the game that caused the purchase of the rifle; likewise, it is not the rent that is the cause of the building but the expectation of receiving rent that led to its construction. In both of these phenomena as in all social events we are concerned, according to Sombart, with a *nexus finalis* that is also a *nexus effectivus*. The end is, in a sense, just as much determined by the means as the means by the end. Sombart recognizes the teleological factors as operative in social life. But only when under causality is conceived the mechanical causality operative *a tergo*, maintains Sombart, has the teleological method operative *a fronte* a justification as the adequate cultural scientific method. As against Sombart's conception of causality as motive-causation, the teleological method

150. Sombart, Werner, *Die drei Nationalökonomien*, p. 225.

151. *Ibidem*, p. 222.

152. Clark, John Morris, *The Yale Review*, Spring, 1933, p. 497.

has no such claim. The end is contained in the motive and motives are the final causes of human behavior. Whether the motive is determined by the expectation of a future event or by the reminiscence of a past event or by a super-natural belief, is irrelevant to the economist. Only the knowledge of the recurring arrays of motives at a given economic epoch is relevant to Sombart; for example the knowledge that money-making is the predominantly recurring motive in the economic epoch of capitalism. The knowledge behind the motive is irrelevant, whether it is fear for old age or the desire of pleasure or perhaps, as someone has said, *Geld zu verdienen um Gott zu dienen*.

All that seems to be correct as far as it goes. Yet, looking at the matter from another angle, Sombart does not go far enough. Real knowledge of actuality is said to be impossible. Knowledge is a reconstruction of actuality in our thinking. In this process of reconstructing the actuality of the given sphere of Culture in our thinking, no man is safe from bias in attempting to distinguish the irrelevant from the relevant and emphasize the latter. Even Werner Sombart, whose scope and system enabled him to come nearest to actuality, failed to embody the inner logic of this actuality in his subject matter. For example, according to the three scopes of economic activity, there are three maxims which result with inner necessity from the subject matter itself in the light of which the given behavior has a meaning. In the sphere of the single economy, seen abstractly, the maxim of maximum productivity always prevails; seen concretely, actually, that is, in the single economy as it takes shape in the prevailing economic system, the maxim is maximum profits. Hence the inner logic in the subject matter of business-economics (the science of the individual economy) results in the maxims of maximum productivity and maximum profits.¹⁵³ On the other hand, the inner logic in the subject matter of national-economics (the science of the national economy) results in the maxim of national welfare and the inner logic in the subject matter of world economics results in the maxims of comparative advantage and comparative cost. Any system of thought of an empirical science must truthfully reconstruct the actuality of the given sphere of culture in its subject matter regardless of whether these maxims are antagonistically opposed or not. If so, the science has to discover these antagonistic forces and the art has to find remedies. Ethics might deplore the fact that human behavior contains the contradiction of bringing about business cycles in the pursuit of maximum profits. Sombart, however, remains realistic:

"In the pursuit of such an uneconomic goal as profits, it was brought about that hundreds of millions of people, who did not exist before, were enabled

153. Public utilities are a combination of both maxims. In the social eye they are going concerns with one aim, maximum productivity. To the investor, however, they are enterprises with the sole aim of maximum profits.

to make a living; it was brought about that culture was transformed from the bottom up, that countries were founded and destroyed, that fairy worlds of technique were erected, that the earth changed in its appearance. All that, simply because a handful of people were affected by the passion for making money." (154)

§13. Knowledge in economics is to Sombart ascertained by empirical and logical evidence accessible to verification. Knowledge that is not ascertained by these two forms of evidence does not belong in economics. It has its place in the philosophy of economics but not in the science of economics. Values, norms, ethical judgments are rooted deeply in the soul of the ego, transmitted to others "by the force of the unknown power of the personality." (155) Hence they are not eligible for general validity nor accessible to verification:

"For values we live, for values we die when necessary, but values we cannot prove.. What sense would it be to die for something that can be proved as right?" (156)

If science is to be the common basis of agreement and authoritative evidence, strict objectivity must prevail. An ethical science is a contradiction in terms. Science explains what is; ethics is concerned with setting up standards as to what should be. Science is to Sombart the common basis for objective evidence. Empirical knowledge does not furnish ultimate truth; neither does it judge what is good or bad, just or wrong. A thing has a value only in the light of an ultimate end but never by itself. Science explains but does not prescribe. Prescriptions are given by the practitioner, by those who practice the given art, but not by the science itself. Science explains why a set of events comes to be the way it is, how it is apt to be under various possible conditions and how it will probably be under given conditions. The arts apply this knowledge to prevent, control, or forecast the actual situations. Science provides the reasons for the "why," the Arts tell the "how." Science is "explicative,"

154. Sombart, Werner, *Hochkapitalismus*, p. xiv. "... in der Verfolgung eines so unwirtschaftlichen Zieles wie der Gewinn, ist es gelungen, Hunderten von Millionen Menschen, die früher nicht da waren, zum Leben zu verneinen, ist es gelungen, die Kultur von Grund auf umzugestalten, sind Reiche gegründet und zerstört, Zauberwelten der Technik aufgebaut, ist die Erde in ihrem Aspekt verändert worden. Alles nur, weil eine Handvoll Menschen von der Leidenschaft ergriffen war, Geld zu verdienen."

155. Sombart, Werner, *Die drei Nationalökonomien*, p. 83. "Werte werden geschaut von begnadeten Menschen und werden geglaubt von denen, die gleichen Sinnes sind. Werte werden—völlig irrational—von Mensch zu Mensch übertragen, kraft der unerforschlichen Macht der Persönlichkeit. An die Stelle des Beweises tritt die Liebe, aus der Liebe aber erwächst die Nachfolge. Für Werte lebt man, für Werte stirbt man, wenn es notwendig ist. Werte aber beweist man nicht. Welchen Sinn hätte es, für etwas, das man als 'richtig' 'beweisen' kann, zu sterben?"

156. *Ibidem*.

Art is "imperative" or "indicative." Sombart is then in complete agreement with John Dewey when the latter says:

"The moment we pass from description of social phenomena to an attempt at an evaluation of them, so as on the basis of reasoned conclusions to venture to state ends and ideals, that moment we pass from the strict area of science into problems of philosophy such as the relation of facts and ideals, the nature of value, of criteria for judging it and so on." (157)

Owing to the insufficiency of human thinking, it is often maintained that all knowledge is personally biased. This is true, but what the argument misses is that what becomes acceptable to common scientific knowledge has been reached by a process of multiple verification and clarification by the critical inter-action of competing minds; hence in the last analysis reached impersonally. Secondly, there are two main types of men that we find in society, the impulsive men of action, like the business man, the politician, etc., and the observing man of thought, like the scholar, the university professor. The latter, by nature, profession, and association, is less personally biased than the former.

Max Scheler's argument that love, passion, sympathetic insight determines greatly the results of research is true, but the moment science is defined to include only knowledge based on empirical evidence and logic, these natural propensities of the savant are kept within bounds. Beyond the bounds they are checked. Within the bounds of obtaining positive knowledge they are valuable assets.

157. Dewey, John, *Research in the Social Sciences* (Edited by Wilson Gee.). 1929, pp. 241-242.

3. SCOPE.

§1. Economics is to Sombart the science of the economy, but the concept "economy" has different connotations, some of them having about as much in common as "the big bear in the sky with the big bear in the zoological garden." (158) Therefore economics has not as yet found its definite place on the *globus intellectualis*; "everything that should be certain is uncertain, even the object with which it deals." (159)

Economy in the formal sense means a certain mode of human behavior. Sombart finds two variants in the concept involved: the rational, i.e., behavior according to the economic principle of the greatest returns for the least effort, and the sensualistic, i.e., behavior according to the "highest utility effect." In both variants, says Sombart, is the concept "economy" confused with "economising" (thrift). Economising, however, is a general term of human behavior and not a separate sphere of culture like the state, religion, law or economy. One can be thrifty with almost anything; hence it cannot become the object for a special science. Dostoevsky's hero, too, when sentenced to death, behaves himself in his last hour according to the "highest utility effect." Secondly, these definitions make economics necessarily an absolute universal science "because both principles, 'Act according to the economic principle' and 'Follow the utility principle,' express a very general mode of human behavior." (160) Sombart replaces the traditional formal meanings of the word "economy" by a material one, the one he finds able to be the object for a scientific discipline. (161):

"The word economy has many connotations. As the subject matter for a science there comes into consideration only one connotation where economy is thought of as the content of a certain circuit of human activities and arrangements, namely those concerned with man's pursuit of sustenance,

158. Sombart, Werner, *Die drei Nationalökonomien*, p. 2.

159. Ibidem, p. 1. "In der Wissenschaft, die der deutsche Volksmund seit jeher und immerdar als Nationalökonomie bezeichnet hat, ist alles, was bestimmt sein sollte, unbestimmt: sogar der Gegenstand, mit dem sie sich beschäftigt."

160. Ibidem, p. 3.

161. Sombart, Werner, *Handwörterbuch der Soziologie*, p. 652. "Das Wort Wirtschaft hat vielerlei Bedeutungen. Als Gegenstand einer Wissenschaft kommt davon nur eine in Betracht, bei der die Wirtschaft als ein inhaltlich bestimmter Umkreis menschlicher Tätigkeiten und Einrichtungen erscheint, und zwar derjenigen, die sich auf die menschliche Unterhaltsfürsorge erstrecken, das heisst: auf die Überwindung der Spannung, die notwendig zwischen dem Bedarf des Menschen an äussern Dingen der Natur und deren relativer Kargheit obwaltet."

that is, the suppression of the tension that necessarily exists between man's demand for exterior things of nature and their relative scarcity."

Economy in this sense is an abstract general concept that denominates the sphere of culture where people provide for their livelihood. Economy is then to Sombart a sphere of Culture and not a certain mode of human behavior. This distinction is likely to be familiar to the American reader. It was also pointed out in the American Economic Review by Mr. Loos in his article on the historical approach to economics that:

"The word economy, in consonance with its historical significance of management of the affairs of a home, a community, or state, includes in its connotation not only the economic act or action but also the actors and agencies which are necessarily implied or involved in any system of management. . . . It is not saving nor efficiency merely which constitutes economy. Any act or action performed and the person or persons involved in the performance of the same for the attainment of some end in pursuit of a living individually or collectively considered, enter into the make-up of a complete concept of an economy."(162)

A comparison of Sombart's definition of economics with that of a leading American representative of institutional economics shows a considerable difference. Professor Wesley C. Mitchell defines economics as the science of human behavior that endeavors to show how men deal with each other in getting their livings.(163)

There are two reasons for this difference of concepts. To Sombart economy is a sphere of culture in the material objective sense. To Professor Mitchell it is a mode of human behavior concerned with the balance between income and outlay, spending and saving. Secondly, Professor Mitchell's special interest in business cycles led him to think mainly in terms of the present economic system. In the latter it is obvious that economics is concerned with man's behavior toward prices as reflected on the market. Sombart's special interest on the other hand was the evolution of economic institutions. From the latter, more eternal viewpoint economics is concerned with man's efforts in pursuit of sustenance. In a self-sufficient economy, in a manorial system, in a completely planned economy, there is no price behavior, but only efforts.

Sombart's contention is that his definition of economics is far-reaching enough to preclude a possible contradiction with actuality. For example, as Professor Robbins points out, the attempt to define economics as the science of welfare leads as a logical conclusion to excluding war from its subject matter, since the latter is the destruction of welfare.(164) Whereas, in actuality, times of war and of national emergencies are just the times when economics and economists are indispensable to national

162. Loos, Isaac A., *The American Economic Review*, Vol. VIII, p. 549.

163. Mitchell, Wesley C., *The Trend of Economics*, p. 16.

164. Robbins, L., *An Essay on the Nature and Significance of Economic Science*, p. 7.

welfare. Furthermore, nothing can be excluded from the subject matter of a positive empirical science that the given sphere of actuality contains merely to suit individual convenience or *a priori* definitions. But the subject matter of economics is bound to the content of the economy-sphere of culture and controlled by the logic prevailing in the latter.

Economics is then the science of the economy: Economy in the abstract general sense denominating the material sphere of culture where people provide for their livelihood. It is not the science of the single economy since the latter is the subject matter of *Betriebswirtschaftslehre* nor of the national economy since Sombart regrets to find this important branch of economics not much advanced above the state in which Friedrich Lizst left it. Economics is then the science of the social economy, as we would say. Sombart, however, is bound to have certain reservations as to this term, because any economy is to him social in its nature. The concept "social-economy" in the light of Sombart's thought is then limited to the point of time and space. It is not applicable to all time and every variety of condition, but only to definite economic epochs where the same economic system prevails; for example, the social economy of capitalism. The concept is specially applicable only so far as the given economic system is spread over the earth. In the case of Capitalism it is mainly Western European and Northern American.

That is, to orthodox economics the "social economy" coincides with the aggregate of single economics; to heterodox economics, the social economy coincides with the "economic system," "Economics is the science of economic systems." Since economic systems grow, change, and evolve to higher forms, economics is necessarily an evolutionary science.

Professor L. Robbins thinks that "the view that a definition must describe an existing body of knowledge and not lay down arbitrary limits is admirable," (165) and if Ricardo is taken to represent the existing body of knowledge, as he is by Professor Ammon, or for that matter if any other static system of thought is so taken, economics stands or falls with the system of Ricardo: as the most it can be is the science of the early capitalistic system, and it must disappear simultaneously with a change in the latter, as orthodox economics is now in the process of disappearing. Science, however, is not a passing debutante but a body of knowledge that grows and evolves eternally together with its subject matter to new and higher forms. So long as there exists a sphere of Culture where people provide for their livelihood, a science in some form or other will exist that will have this cultural sphere for its subject matter. It is not the existing body of knowledge that a definition describes but the existing sphere of culture that originates the subject matter for the given science. We agree fully with Professor Robbins that a definition

165. Robbins, L., *An Essay on the Nature and Significance of Economic Science*, p. 20.

is not to be laid down arbitrarily. This is just what Sombart is fighting against. The sphere of culture called "economy" wherein people provide for their livelihood, is clearly not an arbitrary assumption but a definite reality, and this reality will exist so long as man remains alive. Hence, thought will be required on the hard pressing problems that arise in the given sphere of culture where a certain kind of human activity is performed. Only when economics is the science of the economic systems do the prevailing bodies of knowledge reflect and explain existing economic systems. It includes Ricardo's body of knowledge at the time when the economic system prevailed from which that body of knowledge emerged, just as it includes Lenin's body of knowledge to explain phenomena of the Soviet economic system.

The process of man's activities in the pursuit of a sustenance is shaped in going concerns or single economics. The aggregate of private, public state economies when thought of in the frame of a national boundary composes the national economy. Professor R. T. Ely, whose conception of the word "economy" is similar to that of Sombart, correctly remarks:

"We study the economy of the modern nation as a unit, with individual, household, city and state as subordinate economies. All of these economies, however, are interrelated; besides, thoughtful men and women have come to see that the whole world, in many respects, must be regarded as one single economic unit." (166)

The man who distinguished himself with a system based on the trio: Private economy, National economy, and World economy, is Professor Bernard Harms. Sombart thinks, however, that he has undermined the system-building capacity of this threefold distinction. First, because the three concepts are not projected on one and the same plane. Whereas the private economy is an empirical reality, the National economy or World economy are "purely scientific bringing together of discrete elements into fictitious units." (167) Secondly, because neither of these concepts states the economic nexus of the single economy within the national economy or world economy. A national economy can just as well be communistic or capitalistic. These terms, national economy and world economy, are empty categories when used without an adjective.

§2. Heterodox, as opposed to orthodox economies, typically approaches the single as a part of the whole. Only in the light of the social economy can the single economy be understood. For this reason, the

166. *Teaching the Social Studies*, edited by Dawson, p. 130.

167. Sombart, Werner, *Die Ordnung des Wirtschaftslebens*, p. 8. "Gegen diese Dreigliederung der wirtschaftlichen Erscheinungen ist zunächst einzuwenden, dass sie logisch unhaltbar ist, da die drei Begriffe nicht auf derselben Ebene liegen: während 'Privatwirtschaft' eine empirische Realität ist, sind 'Volkswirtschaft' und 'Weltwirtschaft' rein wissenschaftliche Zusammenfassungen diskreter Elemente zu fiktiven Einheiten."

single economy as a going concern led in Germany to a special discipline called *Betriebswirtschaftslehre*, a discipline absent in the British Isles because orthodox economics based the social economy on the inner logic of the single economy as an absolute universal relationship. It is only in the orthodox tradition that "Economics inevitably involves two things: a description of the way economic forces work, and a study of the economic efficiency or inefficiency which results," (168) because only in the inner logic of the single economy can economic efficiency or inefficiency be objectively estimated. If it is a going concern, efficiency will be estimated in terms of productivity; if it is an enterprise, in terms of net profits. Something can be seen as efficient or not, only in the light of an ultimate goal. An explicative positive science has no ultimate goals; hence it cannot have a "theory of efficiency." What is efficient in one economic system is not necessarily efficient in another.

The inner logic of the going concern (*Betrieb*) does not change; its ultimate goal is maximum productivity. Attributing to the inner logic of the going concern profit as an absolute universal relationship, the social economy became the aggregate of single economies bound up in a price system. Orthodox economics assumed this static inner logic of the single economy as an absolute universal relationship of its aggregate. The social economy became a cosmos of single competing atoms,—enterprises. Due to the early stage of Capitalism, maximum productivity was coextensive with maximum profit. The economic system, however, did not remain on the same level as orthodox economics found it. It evolved to new forms whereby the competitive price system shrank; the atoms (the single economics) fused into economic molecules and from there to bodies, trusts, and cartels. The single units no longer competed within the whole but cooperated and the whole in turn determined the purposes of the single unit. The competition of the economic wholes (trusts and cartels) began among themselves also to enter a phase of standardization. The tools of orthodox economics lost their bearing on reality. Deducing from existing conditions absolute universal knowledge, the knowledge ceased to be valid as the times changed, and what is of utmost importance, no permanently valid tools to deal with its subject matter were left. But permanently valid tools are the only sign by which an aggregate of knowledge achieves the dignity of a science. Thoughtful minds became skeptical of the situation then arising and directed their attention to changes in economic institutions. In Sombart the heterodox type of economics, and for that matter economics is a scientific discipline, received the dignity of a science, because he furnished it with a permanently valid set of tools to emphasize its dynamic subject matter. For the first time in the history of economic thought, the economist was able to distinguish, describe, and correlate dynamic economic events in the light of an

objective theory.(*). The main tool is the conception of the "economic system." Therewith did economics pass the juvenile stage common to many a science, where every scientist has to present his own system of thought starting all over from the genesis of the discipline. With the concept of the "economic system" economics acquired a body of common knowledge.

Orthodox economics is approached through the theory of value. Value is the substance of the whole theoretical body. After setting up *a priori* value theory, the further analyses are explanations in its terms. Wages are values for the use of labor, interest the value for the use of capital, etc. It is where economics has only and mainly to furnish an absolute explanation of price formation that the value theory becomes the substance. Cassel's type of economics does not contain a value theory because his intention is only to explain price formation in the present economic system and not to give an absolute explanation of price formation. Still, a value theory is implicit. What is scarcity if not *rareté* of Walras? That the economy of full capitalism can be approached through the principle of "scarcity" is rather plausible. The opposite "plenty" may be true as well, hence leading to a different set of problems.

How did it come to be that way? Sombart answers: the orthodox type of economics took over the aims and methods of natural sciences. The natural scientist calls the unchanging part in the changing forms of matter "substance." In economics, the equivalent of this substance became the concept of value. In the changing expressions of value, abstract value *per se*—human labor—remained the unchanging substance. To the natural scientist, the essence of substance remains a riddle. The same was true of the economist who used the natural-scientist procedure. The riddle was whether value is something intrinsic or embodied abstract human labor. Sombart's heterodox type of economics is a cultural science and as such belongs to the realm of *Geist*, objective mind. The latter has no substance; hence the entire value theory has no substantial place in Sombart's system. It is a working tool only. Efficiency dictates the selection of tools according to needs. There are some problems, says Sombart, that can be understood only through the subjective theory of value, such as all the price phenomena, and there are others like the production phenomena, the computation of the national wealth, etc., that can be approached only through the objective theory of value. But value theories, "the utility

* Sombart's work, as he stated himself, "intends to be nothing else but a continuation and, in a certain sense, a completion of the Marxian Work,"—hence the controversy of priority fails of consideration. But, as pointed out before, Sombart does not follow Marx as a whole, but only Marx the economist, and the latter not fully, since the Marxian type of economics, as we have seen, contains besides heterodox components normative and orthodox components. Then, it would be more correct to say that Sombart follows Marx the heterodox economist, which consists in the totality viewpoint, the conception of the economic system and the dynamic approach.

theory and the labor theory of value do not exclude each other, but are mutually determining." Unlike orthodox economics, which is approached through the theory of value, heterodox economics is approached through the theory of the "economic system."

§3. The concept "economy," as we have seen, has many connotations; hence, maintains Sombart, the science of the economy has so many names:

In German: *Nationalökonomie, Nationalökonomik, Politische Ökonomie, Sozialökonomie, Sozialökonomik, Sozialwirtschaftslehre, Volkswirtschaftslehre, Staatswirtschaftslehre, Nationalwirtschaftslehre.*

In French: *Economie politique, Economie sociale, Economie industrielle, Science économique, Crystologie ou ploutonomie, uloutologie ou orgonomie.*

In English: Political economy, Public economy, Economic science, Economics, Catallactis.

In Italian: *Economia politica, Economia nazionale, Economia sociale, Economia civile, Economia pubblica.* (169)

Sombart rejects the most widespread name "political economy" because it incorporates the notion of its historical origin (mercantilism); that is, the relationship between the economy and the state. These relationships are of a normative nature, hence have no place in an explicative science. Their place is in economics, the art, economic policy, but not in economics the science. Sombart rejects also the most midespread name, *Volkswirtschaftslehre*, which, introduced by the romantic school, points to the relationship between the "economy" and the *Volksgeist*. The *Volksgeist*, however, is an individual nuance of a country, and not the common essence of the social economy (in Sombart's sense). The essence of the latter is the respective spirit of the prevailing economic system.

The name that he finds acceptable for the science of the economy is in German *Nationalökonomie*. He accepts it because the term *Nationalökonomie* is entirely without "sense", therefore "least burdened with methodological aspirations." It is neither "economy" nor "national," but first the science of the economy and, second, international as far as the same economic system is spread on the globe.

The first of the English-speaking economists to become of the inconsistency in naming the object was probably Professor E. R. A. Seligman, who devoted a full paragraph of his "Principles" to this question:

"Strictly speaking, we ought to employ the term political economy only when we treat of the political aspect of economic relations, that is, of their direct dependence upon government action. People forget that economic activity is primarily social, and only in part influenced by political considerations. The force of habit makes them say political economy when they really mean social economics or economics proper. The foregoing explains the reason for dropping the first half of the old term, political economy.

The change in the second half is due to another cause, the recognition of the scientific character of the study. Many modern sciences end with the suffix "ics," as physics, politics, or mathematics. When the writers of the seventeenth and eighteenth centuries first adopted the Greek phrase, they had in mind the endeavor to augment the wealth or 'economy' of the state. Hence the term. The transition from the point of view of an art to that of a science has substituted for the old phrase the newer name—economics, that is, the science that deals with the economy of society and of the individuals of which it is composed." (170)

The English language is then fortunate in having the proper name that fulfills Sombart's requirements: namely, "economics" as the science of the economy. Economics is then the collective name for all the disciplines that have for their object the economy. It contains first the science of the social economy—economics proper. Second, the science of the public economy, public finance. Third, it contains the science of the single economy, *Betriebswirtschaftslehre*. Furthermore, economics can contain, according to Sombart, a special discipline of the economy as it ought to be, that is, a whole philosophy of economics.

To repeat, the whole science of the economy is classified by Sombart in three divisions: philosophy of economics, economics the science, and applied economics, the art.

A philosophy of economics, not yet in reality but only in its beginnings, has to contain an Ontology, Culture-philosophy, and Ethic of the economy. The ontology of the economy inquires into the interrelationships between the constituent elements of the economy: the economic interpretation of history, etc. The culture-philosophy of the economy is concerned with the cultural values of the prevailing economic system:

"How far the economy is promoting culture, how far hampering it? Are economic values culture values? What is the relationship of the different economic systems and economic epochs to culture? What is the sense of a certain economic epoch in history?" (171)

*The ethic of the economy is concerned with the norms, what should and what should not be in the economy:

"What kind of goals should the economy have? What is national welfare? What kinds of goods shall be produced and in what order and quantity relationship? Should hospitals or battleships be built? Is luxury condemned? What is just distribution? What is just price?" (172)

Sombart finds the philosophy of economics a "very nice thing" but also a "very hard thing." It requires qualities rarely combined in a mortal human being. An economic philosopher has to be a philosopher *von Gottes Gnaden* and an economist of first standing. The only man who could have written a philosophy of economics, according to Sombart, was Max Weber.

170. Seligman, E. R. A., *Principles of Economics*, ninth Edition, 1921, pp. 7-8.

171. Sombart, Werner, *Die drei Nationalökonomien*, p. 294.

172. *Ibidem*, p. 295.

Economics the science contains theory and history. Theory inquires as to the possibilities, probabilities and causalities of a given state of events. History is the actual state of events. Economics as an empirical, positive science is concerned with the actual state of things as they have taken shape in reality, that is, in history. Reality, however, is seldom accessible to our naked eye. To understand the latter requires an armed eye, a theory. Theory is the prerequisite to understanding history. Theory and history constitute an inseparable whole, mutually determining each other. Applied economics (economics, the art) is concerned with the selection of means for practical ends. The ends are not subjective norms but teleological entities that grow with inner necessity from the subject matter itself.

§4. Sombart conceives economics, first, as an empirical science. Its subject matter and field of inquiry is positive reality in time and space.

"Science must be content to investigate the significance of, and the relations prevailing between these groups of phenomena which are accessible to experience." (173)

Hence economics is an empirical and not a metaphysical science. It is concerned with what is and not with what ought to be; hence, it is an explicative and not a normative science. Its conclusions are ascertained knowledge of general validity that can be verified empirically. Empirical knowledge can be ascertained and verified in two ways: by formal evidence, that is, logical procedure—two times two remain always and to anybody four—and by empirical evidence, that is, quantitative procedure,—according to the census there are so many horses in New York City. Knowledge that cannot be ascertained by these procedures is excluded from economics as an empirical explicative science. It might find its place in a philosophy of economics.

Second: Economics is to Sombart a cultural science. Its object is the sphere of institutional culture called "economy." As a cultural science economics relies upon its specific mode of inquiry called *verstehen*. What we do not understand is either metaphysics or unripe science.

Third: Economics is to Sombart a social science. Economic actions are interwoven and depend on the collaboration of several. Hence, says Sombart, human sociability, that is, some form of human society, is a necessary prerequisite to any economy. A Robinson Crusoe economy, maintains Sombart, is an imaginary case, and if it were true a pathological case, since the most isolated economy conceivable that will perpetuate its race requires the collaboration of several, at least two. Robinson Crusoe could only find a way to exist because he was the product of a social economy. As Marx once said,

173. Sombart, Werner, *The Economic History Review*, 1929, Vol. II, No. I, p. 2.

"Robinson Crusoe was thrown naked on the island; he saved nothing except the Bible." (174)

In his consciousness there were knowledge and habits, memories of a thousand-year-old culture. The purest economy, maintains Sombart, has a social character.

Mother and child is a social relationship, and this relationship is based on economic foundations:

"The bringing up of a human being requires the combined efforts of several, at least of two." (175)

It is wrong to make distinctions between "pure-economic and social-economic categories, all economic categories are social." (176) There is no pure economic theory that is not social in its nature, maintains Sombart. We can isolate a legal system and undertake a pure analysis of it, but we cannot conceive of an economic system isolated from men and their relationships:

"The German national economy is a relationship of living people, as opposed to the German language which can also, isolated from such relationships, be brought into a grammar." (177)

Human sociability is to Sombart an "Anti-Robinsonade"; the social is a necessary element in economics. Sombart regrets to find economists who still forget that behind the material relationships of price and goods quantities are living men.

"This kind of negligence should be no longer possible sixty to seventy years after the appearance of 'Capital,' which contains a famous chapter on the fetish character of commodities." (178)

§5. Economics has for its subject matter the recurring events in the "economy" sphere of culture. The existence and reliability of a science depend largely on the regularity with which given phenomena recur and the degree of identity which they bear. The more identity prevailing in the phenomena, the more regularly they recur, the more precise is our knowledge and the more readily is it brought into a system. Although two events in the realm of culture are less likely to recur alike than in the realm of nature, that does not mean that chaos prevails in the former. The way prices are fixed on a free market, the way international exchange balances, and even the way business runs in cycles makes us aware of a certain uniformity. The uniformity of happenings and a knowledge of their approximate duration is to Sombart the logical *a priori* for any human sociability and cooperation. The ultimate reason for uniformity in social phenomena Sombart sees in the common basis

174. Sombart, Werner, *Nationalökonomie und Soziologie*, p. 11.

175. Sombart, Werner, *Die drei Nationalökonomien*, p. 176.

176. Sombart, Werner, *Nationalökonomie und Soziologie*, p. 11.

177. Ibidem, p. 13.

178. Ibidem.

of motive formation. The common basis consists of the *ethos*, blood, and environment.

The assumption of a free will, whatever it may be, fiction or reality, is to Sombart an *a priori* in cultural sciences. Otherwise we are indulging in metaphysical decisions whether human will is good (divine) or bad (natural determinism) in its origin. Vaihinger's view, however, that the whole assumption of a free will is "logical nonsense," seems unconsciously in Sombart's approach to be confirmed since there remains very little of this freedom. Man is a product of a social *milieu* where the objective mind (*Ethos*), objectified in common law, usage and institutions, as well as the common inherited blood and common environment, shape the average type of will, that is, the predominating type of character.

"Kein Mensch muss müsen. Aber ein bestimmter Charakter muss müssen, das heisst: muss bestimmte Entschlüsse fassen." (179)

Man's character originates in the ethnic past of associated activity which leads through history to a given type of common character. The prevailing type of character as a product of the same *ethos*, blood and environment, is instinctively disposed toward a uniform logic of behavior. This disposition is shaped into habits by the economic sense-relationships in which man grows up where (1) uniformity of purpose; (2) uniformity of means; and (3) uniformity of conditions prevail.

1. A definite reason leads people to enter economic "sense-relationships"—hence uniform behavior adequate to the purposes of the given sense-relationships. I enter the sense-relationship railway because I have a certain purpose to get to a certain distance at a certain time. The railway brings me there at the given time. Hence, I behave accordingly: I come at the scheduled time, buy a ticket, reserve a seat, etc.

2. The conceivable means that man is using toward his ends are uniform. The selection is diverse, it might be of physical, chemical or rational nature, etc., but the variation is limited.

"For there is only a limited number of such substances that can serve our uses; therefore, the people come again and again to plow the earth, to plant the trees, to break the stones or to burn the clay," or "to attract the buyer again only a certain number of possibilities exist." (180)

3. The uniform objective conditions determine uniformity in the range of purpose that man is able to pursue. There are two kinds of objective conditions: first, natural conditions, including fertility of the soil, mineral wealth, climate and the natural inclination of the people; second, the cultural conditions which include man's economic arrangements, that is, the prevailing economic system. The latter's constituent elements shape uniformity of purpose as well as of means:

(a) The Spirit (economic outlook) is the uniform basis of motive

179. Sombart, Werner, *Die drei Nationalökonomien*, p. 265.

180. *Ibidem*, p. 271.

formation. All purposes, values and norms, as we have seen, originate in the ethos.

(b) The forms of economic organizations, for example, cartel, trust, large-scale production, determine uniform behavior of millions.

(c) The kind of technique applied in shaping our daily livelihood equally determines uniform behavior—for example, the uniformity of the machine age.

In full capitalism Sombart finds the tendency toward uniformity increasing. The rationalization of the Spirit (economic outlook) leads to a uniform principle—money-making. The rationalization of the forms of enterprise leads to chain stores, etc. The rationalization of the technique leads to the rolling production belt, etc.

The extent of the uniformity of human behavior is limited from the point of view of time and space. Human life is a steady flow, the Spirit steadily unfolding; hence, human motives are engaged in a constant flow of changes. There are no absolutely uniform human motives, but only at definite historic intervals called economic epochs where a certain economic system prevails can we prove uniformity in economic events. Pure uniformity can be discerned only at the climax of an economic system, where the latter leaves its full stamp on every event. In the early and late periods of an economic system, the uniformity of phenomena is mixed with the marks of the coming and going economic systems.

The uniformity of economic phenomena from the point of view of space, can be spread over larger and smaller circles. In national economics (*Volkswirtschaftslehre*) we are confronted with the uniformity of a national circle in distinction from other national circles. In social economics we are confronted with the uniformity spread as far as the circle of the economic system reaches. In the case of the capitalistic economic system it is Western Europe and Northern America. In general economics we are confronted with uniformity "beyond all economic systems." That is, the general economic categories common to all "economy" regardless of time and space. (See pp. 125-26.)

To repeat: Sombart sees the reason for uniformity of human behavior:

1. In the common basis of motive formation which he finds to be the ethos, blood and environment.

2. In the common origin of motive formation. Sombart distinguishes an *Autonom*, *Heteronom* and imitative motive origin. An *autonom* motive origin exists where the causes of behavior are the autonomous will of the man himself. A *heteronom* motive origin exists where the cause of behavior is the will of other people. The autonomous motive origin can be of rational and traditional nature.

"The most rationalized will, however, leads to uniform behavior because the possibilities of rationality in a certain environment are limited." (181)

That the traditional motive origin leads to uniform behavior is self-evident, since traditionalism is conservation of uniformity. The traditional farmer plows like his grandfather, etc. The imitative motive origin is rooted in man's inclination to imitate others as expressed in the phenomena of fashion and style which produce uniform behavior on the part of the millions.

3. In the common exterior condition for motive formation: natural conditions, soil, climate, ethnographical and geographical position, etc., and cultural conditions, the economic system. The latter's constituent, the Spirit, leads to the uniform principle of money-making; the economic order leads to large-scale, standardized forms of production, etc.; the technique leads to the uniformity of the "machine age."

§6. Orthodox economics achieved absolute uniformity of its subject matter by assuming one isolated single motive, be it utility or wealth, as the dominant cause of human behavior. Orthodox analyses are then "ideal" and not "real"; they deal with "an unreal and imaginary subject." (182) By the force of logical consistency in their analysis they expected to explain empiric reality by assuming "all the real is rational and the rational is real."

Sombart excludes the "unreal" presuppositions as far as possible. He explains the uniformity of subject-matter by the common basis of uniform motive formation which underlies any economy. In the uniformity of motive formation and of a predominant character type a certain relative regularity of behavior is inherent. On the basis of this regularity we project the future, put up prognoses, and forecast probabilities.

Laws in the sense of natural scientific absolute necessities are not to be had in cultural sciences. The laws that prevail in economics are *vérités de raison*, not based on experience but based on rational necessity ascertained beforehand: *a priori* truths. "Their truth value lies in the rationality of their content." (183) According to kind of regularity, Sombart distinguishes three types of laws: (1) mathematical; (2) structural; and (3) rational:

1. The mathematical regularity states "the part-sum relationship" and leads to the magnitude laws. For example, the wage fund law:

"When the fund out of which wages are paid is a given magnitude, the aggregate sum of wages cannot rise; if the wage rises in one place, it declines in another." (184)

182. Bagehot, *Economic Studies*, p. 73.

183. Sombart, Werner, *Die drei Nationalökonomien*, p. 260. "Ihre Wahrheitswert liegt in der Rationalität ihres Inhalts."

184. Ibidem, p. 254. "*Das Lohnfondsgesetz*: wenn der Fonds, aus dem der Lohn bezahlt wird, eine gegebene Grösse ist, kann der Gesamtbetrag der Löhne nicht steigen; wenn an einer Stelle der Lohn steigt, muss er an einer anderen sinken."

Or the quantity theory:

"When prices depend on the amount of money in circulation, they rise when the amount of money in circulation rises, the amount of commodities remaining the same." (185)

2. The structural regularity states "the limb-totality relationship" (*Glied-Ganzes-Beziehung*) and leads to the structural laws. For example, money-making is the essential component of the economic system of capitalism; or expansion-recession-depression is the motion form of capitalism.

3. The rational regularity states the "end-means" relationship and leads to fictional laws. That means generalizations how thinkable rational behavior under thinkable conditions takes place.

"For the sake of better understanding economic relationships, we construct rational schemata in which or by which we can show how the course of economic events would take place if certain conditions were fulfilled and behavior were fully rational." (186)

The most important "laws" in economics belong to this kind of fiction, as, for example, the laws of "supply and demand" or cost of production," etc.

"They state nothing else than: When only economic considerations govern, when buyers and sellers know where the most favorable market is, when goods and capital are perfectly mobile, then will prices decline by increased supply and oscillate around the cost of production." (187)

Similarly is the law of marginal utility based on the assumption of a fictitious economic man, in a fictitious desert, imputing to him a fictitious psychology; we generalize "as if" people's behavior were solely directed by marginal utility considerations or similarly "as if" goods were exchanged according to their content of "abstract human labor." All these "laws" are fictions based not on empirical necessity but on rational necessity.

"In reality, it is possible that not a single price will be formed according to this schema." (188)

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185. Sombart Werner, *Die drei Nationalökonomien*, p. 254. "Die Quantitätstheorie: wenn die Preise abhängig sind von der Menge des umlaufenden Geldes, so steigen sie, wenn die Warenmenge dieselbe bleibt und die Geldmenge wächst."
186. Ibidem, p. 259. "Um des bessern Verständnisses der wirtschaftlichen Zusammenhänge willen bilden wir rationale Schemata, in denen oder an denen gezeigt wird, wie sich der Ablauf wirtschaftlicher Ereignisse vollziehen würde, wenn bestimmte Bedingungen erfüllt wären und völlig rational gehandelt würde."
187. Ibidem, p. 261. "Sie besagen nichts anderes als dieses: Wenn nur ökonomische Beweggründe obwalten, wenn Käufer und Verkäufer wissen, wo der günstige Markt ist, wenn Waren und Kapitalien sich völlig frei bewegen können, so werden die Preise bei steigendem Angebot sinken usw. und um die Produktionskosten pendeln. Es ist möglich, dass nicht ein einziger Preis in Wirklichkeit sich diesem Schema gemäss bildet."
188. Ibidem.

The orthodox economist, however, rejects emphatically the fact that the laws in economics are merely fictions. As Professor Robbins writes:

"But to recognize that economic laws are formal in nature is not to deny the reality of the necessities they describe or to derogate from their value as a means of interpretation and prediction. On the contrary, having carefully delimited the nature and the scope of such generalizations, we may proceed with all the greater confidence to claim for them a complete necessity within their field. Economic laws describe inevitable implications. If the data they postulate are given, the consequences they predict necessarily follow." (189)

This "if" remains the big unknown after the law is pronounced. But a law has no "ifs" it is supposed to follow with iron necessity. Only rational regularities not based on experience have "ifs" and "whens."

In the same essay written by Professor Robbins, we find the following criticism of heterodox economics:

"We have had the historical school. And now we have the institutionalists. . . . Yet not one single 'law' deserving of the name, not one quantitative generalization of permanent validity has emerged from their efforts. A certain amount of interesting statistical material, many useful monographs on particular historical situations, but of 'concrete laws,' substantial uniformities of 'economic behavior,' not one. And, at the end of the hundred years, the greatest slump in history finds them sterile and incapable of helpful comment—their trends gone away and their dispersions distorted." (190)

Without having it in mind to defend the shortcomings of the historical school, we wonder what "substantial uniformities" and "generalizations of permanent validity" are in the back of Professor Robbins' mind as having emerged from orthodox economics, and whether such a "law" is in the nature of economic science. Secondly, it is regrettable that Professor Robbins does not follow Sombart's work closely. Otherwise, he would be familiar with the fact that the only two economists who analyzed the trend of the economic system as a whole and whose predictions came nearest to actuality were both heterodox economists, Marx and Sombart. And that the hundredth anniversary since R. Jones first became aware of the shortcomings of classical economics, finds the heterodox type of work, besides its "interesting statistical material" and "useful monographs," culminating in a magnificent monumental work called *Der Moderne Kapitalismus*, by Werner Sombart. It seems to us after Marshall's confession that "qualitative analysis has done the greater part of its work," after Wicksell's last advice to his students, before retiring: to study history, the empirics of economics; and after Professor Selig-

189. Robbins, L., *An Essay on the Nature and Significance of Economic Science*, pp. 109-110.

190. *Ibidem*, p. 104.

man's admission in his closing lecture before retiring that the future belongs to the institutional type of work, many of Professor Robbins' one-sided views are too late-born.

"Law" in economics is the regularity that we ascertain *a priori* as distinct from the "tendencies which are regularities ascertained *a posteriori*." A tendency is not a law, it does not possess . . . the dignity of necessity" although it is of ever-increasing import in heterodox economics. It is the direction in which a certain set of events tends to move, the probable trend of the future, whose truth depends on the degree of probability. The latter varies with the precision with which account is taken of the irrelevant and relevant forces.

§7. Knowledge in economics, as an empirical science, consists of empirical and formal evidence, accessible to verification. Empirical evidence is mainly quantitative evidence.

"For the economist of today, facts constitute not only the ultimate test of theory, but, probably to a greater conscious extent than formerly, facts constitute the raw material from which theories are to be cast," (191)

writes Professor F. C. Mills, and Sombart proved it. To him it is no more a mere probability, since the raw material from which all his theories and prognoses on Modern Capitalism are cast are quantitative data. Sombart's works are to an extent a realization of what Professor Mitchell had in mind in his presidential address:

"What we must expect is a recasting of the old problem into new forms amenable to statistical attack. In the course of the reformulation of its problem, economic theory will change not merely its complexion but also its content." (192)

Perhaps the very reason why Sombart's set of economic theories changed the traditional "complexion" of economics as well as its "content" is the empirical approach. Yet Sombart is not likely to view statistics as a separate science, since there is no distinct material object that statistics can claim for its subject matter, neither is it an approach or method since the notion of understanding precedes necessarily any data. As Professor Mitchell states,

". . . quantitative work itself involves distinction of kind and distinction of kind starts with distinction of quality." (193)

Furthermore, statistics by itself describes the "how" but never the "why." The place of statistics in Sombart's system is, as far as I can see, that of a scientific procedure; procedure meaning technique. Perhaps we could then introduce a distinction between Method and Procedure as the Ger-

191. Mills, F. C., *The Trend of Economics*, pp. 42-43.

192. Mitchell, W. C., *The American Economic Review*, 1925, p. 3.

193. *Ibidem*, p. 1.

mans do between "Methode" and "Verfahren" and speak of a Normative Method, a Nomologic Method (natural—scientific), a Noologic Method (cultural—scientific), in distinction to the kinds of procedures or techniques applied within the given method, such as Statistical procedure, Mathematical procedure, Deductive procedure, etc. Statistics to Sombart is a scientific procedure, the main procedure of the inductive method, and, as such, an indispensable tool of any empirical science. Sombart's view, as we shall see later, coincides with Professor Mitchell's when he says:

"We do not speak of qualitative versus quantitative analysis. We do not seek to prove even that one type should predominate over the other. Instead of dogmatizing about the method at large, we are experimenting with methods in detail. In the measure of our proficiencies, we all practice both qualitative and quantitative analysis, shifting our emphasis according to the tasks we have in mind." (194)

Sombart agrees with Professor Mitchell that qualitative work has followed "the logic of Newtonian mechanics," but he is also likely to blame quantitative economics for still following the natural sciences even in their modern conceptions. Empirical work does not rest, to Sombart, on "statistical conceptions" because there are no general conceptions that view the sphere of Nature and Culture alike; it rests on the peculiarity of the given subject matter which produces its specific conceptions or lends its peculiar meaning to the given conceptions. For example, the conception "law" means something entirely different in the sphere of Culture from its meaning in the sphere of Nature. "Statistical conceptions" by themselves are empty, technological categories, tools receiving their content from the subject-matter to which they are applied. The degree of probability in the sphere of Nature is entirely different from that prevailing in the sphere of Culture; hence a statistical law is likely to coincide with a mechanical law in the sphere of nature, whereas in the sphere of culture the latter are definitely absent. To Sombart it is not, "the mechanical type of theory" vs. "the statistical type of theory" as it is to Professor Mitchell, but the natural scientific type of work vs. the cultural scientific type of work. The statistical procedure is applicable in any realm of science.

Orthodox economics in its essence is not based on empirical evidence. It is a formal science. Starting from a few simple premises of the common sense of a given time, the orthodox economists arrive at a body of principles purely deductively. The only place statistics has is to verify and check their conclusions. Since empirical evidence is not likely to coincide with *a priori* truths, the relationship between orthodox economics and statistics is apt to be loose. The other and perhaps main reason for the loose relationship is that time series, the backbone of economic statis-

tics, are of limited validity in a static scheme of equilibrium. Hence business cycles are outside the scope of orthodox economics. In fact the latter does not know business fluctuations but only temporary disturbances of equilibrium.

Sombart's heterodox type of economics, on the contrary, is an empirical science. Empirical evidence is mainly quantitative evidence. Facts, data, monographs and special studies are the material from which the three constituent elements of the economic system are derived: the economic outlook (Spirit), the forms of economic organization and the prevailing technology are inferred and the single event explained in the light of the given economic system. Time series are the raw material of the heterodox economist, because they present the nearest picture of the actual flow of the given set of events. But time series by themselves do not tell the whole story. They can be understood within the frames of the economic system to which they belong, that is, in the light of its three constituent elements taken as a whole. Only in the light of the economic system have any empirical data a sense and significance.

§8. Economy, as we have seen, is concerned with man's pursuit of the means of sustenance. This requires the application of certain means toward exterior nature to secure these ends. The applied means in the economy Sombart calls technique. Any economic system as well as any economy is marked by three constituent components: First, by the economic outlook, the spirit of the economic subjects engaged, that is, whether money-making or goods-making is in the minds of the *entrepreneurs*, etc. Second, by the form of the organizations to perform the work in an orderly manner. Third, by the kind of technique applied. Now, says Sombart, the talk about economy vs. technique is plain non-sense. There is no *mundus technicus* versus *mundus economicus*. Those who speak about economy vs. technique use the term "economy" in an entirely different sense from that of Sombart, namely as the mode of human behavior, "economizing." From this angle Sombart admits the difference between economic and technical behavior. Economic behavior is the pursuit of ends by given means. In the present economic system this is just the function of the *entrepreneur*. Technical behavior, on the other hand, is the selection of means for given ends and is always the function of the engineer. In Sombart's connotation of the word "economy," the latter and technique are not opposite, because they cannot even be compared, since economy is a material sphere of culture where people provide for their livelihood. Technique is the procedure and means that people apply in the economic process. Hence technique is an indispensable component of any economy. Any social economy at any given historical epoch is marked by a prevailing technology. For example, the technology applied in the capitalistic economic system is entirely different from that prevailing in the precapitalistic economic system. To the orthodox economist technology remained a veritable issue that steadily undermined his con-

clusions, because he did not realise the full effects of changes in technique. To Sombart, technique is a part of actuality, an indispensable component of any real economy, hence, a category in the subject matter of economics that together with the other two categories ('Spirit and forms of economic organizations') presents the general picture of the prevailing economic system in the light of which the single event receives its meaning.

§9. Pragmatism, says William James, is not a philosophy but "a method only"; so, too, is institutionalism not a system of economic thought but an approach and as such contained in various systems of thought, e.g.: Marx, the historical school, Veblen, Sombart, Mitchell. But like all far-reaching methods, pragmatism as well as institutionalism is marked by a distinctive outlook on its subject matter that appears like a system of thought. Institutionalism shares this quality with pragmatism:

"The attitude of looking away from first things, principles, categories, supposed necessities; and of looking toward last things, fruits, consequences, facts. . . . The pragmatist turns away from abstractions and insufficiency, from verbal solutions, from bad *a priori* reasoning, from fixed principles, closed systems, and pretended absolutes and origins. He turns toward concreteness and adequacy, toward facts, toward action and toward power. At the same time it does not stand for any special results. It is a method only." (195)

But, as Vaihinger pointed out,

"In pragmatism one must clearly distinguish between the valuable content and the uncritical exaggerations. The valuable content of the critical pragmatism that has been especially further cultivated by James and Schiller, lies in the fight against a one-sided intellectualism and rationalism, which detaches logical thinking from its native soil and ascribes value and truth to this isolated thinking only. Uncritical pragmatism is an epistemological utilitarianism of the worst kind: what is useful, what helps us to endure life is true, hence are the most superstitious dogmas true because they 'proved' themselves as life supporters." (196)

The institutionalism of Sombart seems to me the ideal pragmatism applied in economics, and many a passage of William James is full of Sombart's content:

"It agrees with nominalism for instance, in always appealing to particulars;

195. James, William, *Pragmatism*, pp. 54-55 and p. 51. *New Impression*, 1931.

196. Vaihinger, Hans, *Die Philosophie des Alls* Ob, p. xxvii., 10th Ed., 1927. "Beim Pragmatismus muss man scharf die unkritischen Übertreibungen von dem Wertvollen scheiden. Das Wertvolle des kritischen Pragmatismus, das besonders von James und Schiller weitergebildet worden ist, liegt in dem Kampf gegen einen einseitigen Intellektualismus und Rationalismus, der das logische Denken von seinem Mutterboden löst und diesem isolierten Denken allein Wert und Wahrheit zuschreibt. Der unkritische Pragmatismus dagegen ist ein erkenntnistheoretischer Utilitarianismus schlimmster Art: was uns nutzt, was uns hilft, das Leben zu ertragen, ist wahr, also sind die abergläubischsten Dogmen wahr, weil sie sich als Lebensstützen 'bewährt' haben."

with utilitarianism in emphasizing practical aspects; with positivism in its disdain for verbal solutions, useless questions and metaphysical abstractions. All these, you see, are anti-intellectual tendencies. Against rationalism as a pretension and a method, pragmatism is fully armed and militant." (197)

The fundamental notion upon which Sombart's pragmatism rests seems to me the philosophy of "as if." The philosophy of "as if" states that to win an insight into the multiplicity of life the human mind is frequently obliged to proceed on the basis of assumed simplified conditions, non-existent abstractions, "as if" constructions, that make accessible the given realm of science and enable fruitful scientific results to be reached although the starting assumption is a fiction and not a reality. Fictions, "as if" constructions, are to Sombart indispensable tools in any social research. Among Sombart's three forms of generalizations, the third, as we have seen (p. 105) deals with the fictitious generalizations—the most important "laws" in economics. In the same way fictions find their definite place in his system; they constitute all the working ideas of economics (see p. 119). Among them are both principal types of value theories: that is, in a pragmatic approach such as that of Sombart, the labor theory of value and utility theory of value lose their antagonism and as working hypotheses mutually determine each other.

4. SYSTEM.

§1. Scientific work involves three stages: research, systematizing, and presentation. Research ascertains the truth. It involves first a clear and explicit demarcation of the given subject matter. Secondly it involves a specific way of handling the given subject matter to attain knowledge, that is, an adequate method. Thirdly, it involves a fruitful system of concepts to emphasize the knowledge obtained.

Systematization combines the results of research in an orderly manner into an intellectual whole. An aggregate of knowledge becomes a science when gathered into a system according to a uniform plan. The uniformity of the plan is achieved in the underlying "ideas" (logical notions).

Presentation is the means of transmitting knowledge to others in a most effective and easily accessible way and is largely a matter of Didactics, Stylistics, and Rhetoric. Sombart builds up his system of economics on the basis of three "system building ideas": the basic ideas, the *Gestalt* idea, and the working ideas.

§2. The basic idea of any cultural science is the notion which originates the given sphere of Culture: for example, law in jurisprudence, religion in theology. In economics it is the idea of the "economy" (*Wirtschaft*). Economy in the abstract, timeless and spaceless sense, denominates the sphere of culture where people provide for their livelihood. The economy is to Sombart marked by three constituent elements, the spirit, the form of economic life, and the technique.

1. The Spirit. The economic outlook is "the sum total of purposes, motives and principles which determine man's behavior in economic life." (198) For example, want-satisfaction or money-making; individualism or solidarism; rationalism or traditionalism, etc.

2. The form of economic life (Regulation and Organization). "Man is naturally a social animal. Economic actions necessarily affect many people. Methods of organizing the actions of these people and of regulating their relation to each other must be contrived. Each cannot be allowed to obey his uncontrolled subjectivity. Each must know what he may expect of others and what others expect of him. The relation between them must be governed according to forms external to and independent of the particular individuals affected. An impersonal system of regulation, an ad-

jective order, is the second element of the economic process.”(199) For example, restriction—freedom; private property—public ownership etc.

3. Technology. The kind of technical knowledge applied in the economic process. For example, empirical or scientific; stationary or revolutionary; organic or mechanic.

§3. The idea of the economy, as we have just seen, is an abstract timeless and spaceless logical concept. Economy in the abstract does not exist, just as there is no religion, no art, no state in the abstract but always a definite religion, a definite state, so too there is a definite shape, a definite historical form of the economy. The *Gestalt* idea expresses the basic idea, that is, the abstract notion “economy,” in its actual configuration, that is, the economic system.

“By an economic system I understand a mode of satisfying and making provision for material wants, which can be comprehended as a unit, wherein each constituent element of the economic process displays some given characteristic . . . more precisely: it is the mode of providing for material wants regarded as a unit which is (1) animated by a definite spirit, (2) regulated and organized according to a definite plan and (3) applying a definite technical knowledge. . . . Cotton spinning, for instance, is an economic activity. In connection with it we can think of the aims of the cotton spinner and the principles which guide his actions—whether his object is to make money or merely to make shirts for himself, whether he conducts his business on rational or on traditional lines. Or we can think of his relations with his workers and his customers. For instance, when he is making contracts he has to follow certain rules imposed upon him by the legal system under which he happens to live. Or we can think of the whole process of cotton spinning, the preparation of the raw material, the application of its tools or machinery, the packing and dispatch of the finished product and so on.”(200)

The *Gestalt* idea derived directly from the basic idea “comprises, correlates and connects” the constituent elements of the notion “economy” (Spirit, Form, Technique) “not merely in their abstract form, not merely as an idea, but in the concrete as definite historic facts.” The economic system is a general conception that enables the economist to see, distinguish and describe the concrete “configuration” of the economy at different historic intervals.

“This concept of the economic system actually satisfies all the requirements which we can make of an ultimate idea that is to form the basis for a system.”(201)

The significant forms which economic life can assume, as we have seen already in Sombart’s table (p. 82), are limited, first “by the fact the forms which each constituent element of the economic process can

199. Sombart, Werner, *The Economic History Review*, V. II, No.1, p. 14, 1929.

200. Ibidem.

201. Ibidem.

assume are limited." The subjective spirit or economic outlook of the people, displayed in the sphere of the economy, can fundamentally be ruled by two maxims only. People may be animated by the goal of making goods, for their own use, or they may be animated by the goal of making money. In both cases people are faced with the selection of means for the given ends. This selection can be guided by a traditional or a rational outlook. Behavior is traditional when the same ways and means are continually applied in the economic process as a matter of custom. Behavior is rational when the usefulness of the given means of every act is examined previously with a critical attitude to the customary prevailing means. People face each other in the economic process, and their behavior among themselves can be guided by an individualistic or solidaristic outlook. A person's behavior is individualistic or egotistic, maintains Sombart, when it has in mind exclusively the good of his own ego. "Help yourself so help you God," but an individualistic man helps somebody else very unwillingly. Neither does he expect to be helped. Behavior is solidaristic when it is not directed solely for the individual's own sake but with consideration for the common good of the given community or state.⁽²⁰²⁾ Economic life can assume different forms. It can be restricted or free: meaning that the behavior may be controlled by super-individual norms or it may be free of such. Economic life is never absolutely free, since an indispensable amount of regulation, maintains Sombart, is the prerequisite of any economy. The economic order can be based on private ownership or on any form of public ownership. That is, the initiative of economic life may belong to the single economies and to their leaders, the *entrepreneurs* (Sombart calls them economic subjects), or the initiative may belong to the whole collective body, tribe, community or state. The principles of private ownership and public ownership can be applied to the sphere of production only, or to the sphere of consumption, only or to both spheres together. The economic order of private ownership can be organized democratically or aristocratically. An aristocratic economy is one consisting of many people, where the economic subjects are few and the rest execute the will of the few. A democratic economy is one where the majority of the people are economic subjects. In an economy comprising many people, compactness or looseness may prevail. With this category Sombart introduces the distinction between economic systems where all the labor going into the sustenance of the members of an economic unit is performed by those within that unit without specialization and division of labor (primitive self-sufficient economy) and economic systems where the different kinds of economic labor are executed in different economic units. This distinction does not coincide with the usual distinction between "production for use and production for the market," since the former can just as

202. Sombart, Werner, *Die Ordnung des Wirtschaftslebens*, 2nd Ed., 1927, p. 16.

well be based on division of labor. For example, in a socialistic economic system, maintains Sombart, production for use and division of labor prevail. The same is also true of the medieval manorial system. Last but not least, economic life is shaped by the kind of technique applied in the economic process. Technical knowledge is empirical when it transcends generations, is transmitted from father to son and from master to apprentice with all the irrational beliefs that folk spin in the process of primitive production. Technique is scientific when it proceeds according to the latest standards of knowledge. Technique is stationary when it changes slowly through generations; revolutionary when the changes are frequent and tremendous. Technique is organic when the means and ways consist of organisms (plants, animals, man). Technique is mechanical when the process of production is carried out by means of machinery and chemistry and man is only the leader of the process.

§4. The potential forms of economic life are limited secondly "by the fact that the possible significant combinations of the forms which each constituent element can assume are limited," because of the limited number of the elements. (See again table p. 82.) For example, the economic system of Capitalism is a combination of the following elements:

A. *Spirit*:

1. Money making is the prime ruling economic principle. Unlike the situation in the precapitalistic economic system, it is no longer the satisfaction of human wants that concerns the economic subject, but the increase in the amount of money invested, in the maximum gain in the form of profits.

2. Individualism or competition is the outlook of the economic subjects. The single economic subject relies upon his own power and resources. He stretches his sphere of activity and influence as far as his will and power reaches, regardless of the welfare of others; and his neighbor is acting the same way.

3. Economic rationalism is the predominant mode of organization and behavior. It manifests itself in a triple way. First, the planning of the single concern (vs. the planning of the whole system as in the case of the post-capitalistic system). Second, the principle of greatest use and efficiency in the selection of means for any given end. Thirdly, the accountability of the single enterprise. Any economic event passes through a system of accounting and takes the shape of a sale or a purchase expressed in a quantity of money.

B. *Form*:

1. The economic order of capitalism is fundamentally free. There is no restriction upon the activity of the economic subjects within the limits of law and order.

2. The capitalistic economy is fundamentally a private economy. The initiative lies within the individual enterprise guided by a restless and acquisitive spirit on the part of the entrepreneur.

3. The structure of the capitalistic economy is aristocratic. The number of economic subjects is small in comparison to the mass of the people partaking in economic life.

4. The capitalistic economy is based on the highest remunerative degree of specialization and division of labor.

5. The capitalistic economy is an exchange economy integrated within the market. All production is for the market and all capital goods come from the market as well as the negotiation between economic subjects and objects which takes place on the labor market in the form of a wage contract. The interrelation between demand and production is through the medium of prices. The latter determine the amount and direction of production.

C. *Technique.*

The technique applied in the economic system of capitalism is scientific, revolutionary and mechanical.

§5. The different economic systems correspond to different economic epochs of history. By an economic epoch, Sombart means the stretch of time during which an economic system is actually realized in history. Every economic system comes into being within the framework of the preceding economic system, in its declining period. The later period of the declining system is the early period of the new coming one:

"There are periods when a particular economic system can be observed in a comparatively pure form, when it leaves its mark upon every branch of economic activity. When an economic system first appears, or is beginning to decay and to lose its distinctive vitality, we can speak of a 'mixed' period or a transition period, and contrast it with a period of full development or a pure period." (203)

In the economic system of capitalism, Sombart distinguishes an "early," "full" and "late" capitalism. The terminology has been wisely accepted in German. The concept of the economic system is to Sombart superior to any previous attempt to approach historic actuality. All the previous attempts could at their best only represent one aspect of economic life. Adam Smith's, Liszt's, Schönbarg's stage theories based on the single aspect "condition of production," do not give "mental unity to the chaos of scattered particulars with which the economic historian is concerned. . . . If (as is the case) slavery prevails among shepherds as well as among husbandmen, then the dominant mode of occupation cannot determine the whole structure of economic life." (204) Karl Bücher's stage theory based on the "length of the route which the goods traverse in passing from producer to consumer," Sombart found "conflicting with facts." In the middle ages, cloth was sold at markets and fairs that travelled a much longer route before reaching the consumer

203. Sombart, Werner, *The Economic History Review*, V. II, No. 1, p. 16.

204. *Ibidem*, p. 10.

than the same commodity did in the 17th or 18th century, maintains Sombart. The essence of Mercantilism was in cutting down the length of the route. The tendency of Capitalism is to dispense with the middleman and bring the producer into direct contact with the consumer. Krupp or any other great concern supplying the state or the railway company, furnishes Sombart with examples of real production to order "in its pure form." Therefore, we are not justified in seeing in the production to order of the town economy and in the production to order of full capitalism the same economic organizations.

"If a society organized on socialistic principles were to carry on production and retain the modern specialization of labor, the route which many products would have to travel on their way from producer to consumer would be as long as today." (205)

Sombart finds also Hildebrand's division into natural, money, and credit economy equally inadequate.

"The contrast which demands emphasis is not between the natural and the money economy, but that between the economy which is self-sufficing and the economy which is not. Moreover, money economy and credit economy cannot be distinguished." (206)

The characteristic of the "economic system" Sombart summarizes as follows:

"The earlier attempts at systematization sought to provide such an idea by emphasizing single prominent characteristics, but these attempts were far less serviceable. They were able to distinguish only single aspects of economic life, whereas the concept of 'economic system' is wide enough to comprehend every aspect . . . definite enough to grasp the historical concreteness of economic life . . . and general enough to be applied to every conceivable economic institution from the most primitive to the most highly developed." (207)

§6. The idea of the economic system is the "supreme system-building idea" in Sombart's type of work. The whole body of economic theory "stands or falls" with the idea of the economic system. Economic phenomena are products of historical environment, since any action of any individual is predetermined by the historical *milieu* in which he grows up as an integral part. The given historical *milieu*, however, can only be understood as a part of a greater whole, of a national economy and the latter in turn as a part of a social economy. The social economy is the totality of these national economies based on the same economic system where the motives and forces are marked by the prevailing Spirit, forms of economic organization and technology. On the basis of these three constituent elements of the economic system, we are able objectively

205. Sombart, Werner, *The Economic History Review*, V. II, No. 1, p. 12.

206. Ibidem, p. 13.

207. Ibidem, p. 15.

to ascertain uniformities in economic life at a given economic epoch, to set up a theory for this homogeneous interval, and to explain the single fact. All our economic categories like price, exchange, capital goods, etc., are to Sombart merely "technological categories." They do not mean and they also do not say anything without, or before, being related to a certain economic system, since they say different things in different economic systems. Economic phenomena can only be understood when resolved into a definite economic system to which they belong; otherwise we encounter the sort of errors of inference found, for example, in Robert von Pholman or Ricardo. The former, tracing a straight genetic line in the Darwinistic-Bücher sense back to Rome, found in the latter an eight-story building and thought he had discovered the Roman Wall Street. In Sombart's approach these similarities are incomparable, purely accidental, and comparison has no sense. Similarity in effects has a meaning only when there is a similarity in causes. The final causes of economic events are, to Sombart, human motives. Similarity in motives between Rome and New York did in all probability not exist, because of the different economic systems, based on a different psychic constitution of the people in whose souls all human motives and values are born. Or consider Ricardo, whose hunters and fishers behave exactly like the brokers of the London stock-market in his own time. The common denominator is in this case lost, the economic system of the "crude stage of history" and early capitalism are entirely different, human motives and behavior have changed. Exchange, says Sombart, is in the primitive economy *himmelweit* different from that in capitalism, and price in pre-capitalism compared with price in full capitalism has nothing in common. Thus, whereas orthodox economics undertakes by the force of logically consistent abstractions to explain empirical reality, in heterodox economics, abstractions and isolations become logically consistent after being related to a definite empirical reality, the economic system. Economics is the science of economic systems.

"There is need, great need, for a common discipline which shall animate these special studies, coordinate them and interpret them to each other, and to the intelligent reading public as well," (208) writes Professor J. M. Clark in "The Trend of Economics," expressing here-with the real situation of the younger school of American economists who, while deprived of faith in orthodox economics by Veblen's criticism, have not found as yet the constructive type of heterodox economics. In Sombart's thinking in terms of economic systems, the "common discipline" is found that "animates" all the special studies, "coordinates" them, and interprets them in the light of respective economic systems. It definitely spares the author of the general treatise the neces-

sity of making "his pilgrimage to all the shrines and mastering all the special fields before presuming to set pen to paper.(209) what he has to know is the constituent elements of the particular economic system; the economic outlook (spirit), the forms of economic organization and the kind of technique applied. Relating the puzzling set of economic phenomena to the respective economic systems, the economist is able to oversee and understand their significance, interrelationship and possible trend, or, as Sombart would say, their "possibilities, probabilities, and casualties."

Sombart's notion of the economic systems answers fully Professor J. M. Clark's requirements:

"It can furnish a common background of ideas of scientific procedure . . . , it can furnish tools of thought in the shape of hypotheses, grounded in experience and available as guides to further study and bases for verification. It can summarize the most important results of inductive study and generalize them . . . And finally, it can present an orienting interpretation of economy life which will have an important pragmatic bearing."(210)

§7. Sombart's third system-building component consists of the working ideas. These are logical notions, working concepts, points of view, ways of questioning, principles of historical research, that enable us to analyze the material in the frame of the *Gestalt* idea. Sombart distinguishes:

1. The concepts that emphasize the economic phenomena in time: Static and Dynamic, Actuality and Potentiality, and the idea of evolution.

2. The concepts that emphasize economic phenomena in space: Organism and Mechanism, Exchange economy and National economy; that is, whether we see in the economy an amorphous conglomeration of individuals held together by market contracts or a living unity, a national economic community.

3. Last, but not least, the value theories. We have had occasion (p. 97) to observe the use that Sombart makes of these working ideas. Sombart reconciles the value theories by removing them from the central position they hold in orthodox analysis, making working tools of them and tools which are used according to their degree of efficiency supplementing each other. To repeat, "value" is no more the substance of the subject matter of economics. Heterodox economics is no more a prototype of the Newtonian system where "values" circulate in the price system like the planets in the solar system on definitely prescribed lines. Sombart's Heterodox type of economics is not an approach through the theory of value, explaining all the rest in its terms, but through the theory of the "economic system," relating the unknown to it for a definite meaning, even the value theories. Thus, in the precapitalistic economic system, where there is no exchange or very little of it, in the primitive

209. Clark, John Morris, *The Trend of Economics*, p. 76.

210. *Ibidem*.

single economy the appropriation of the different uses and wants proceeds according to the Marginal Utility. It still holds in the primitive horse barter, but it becomes quite complicated in the economic system of Capitalism, in modern price formation.

§8. The knowledge that we ascertain in economics we emphasize with the help of a system of concepts, adapted to the peculiarities of the given subject matter. Sombart distinguishes:

According to the inner structure, ideal and real concepts exist. Ideal concepts are those "by which the essence of the object is brought to expression in its full purity. They originate through the segregation of all unessential marks. . . . The concern is not in emphasizing the entirety but the essential." The real concepts are those which emphasize the objects "in their occasional (empirical-historical) configuration." (211) For example, capitalism.

According to the scope of the concept, Sombart distinguishes individual and group concepts, leaving room for Max Weber's *ideal typus* in between. The individual concept "emphasizes the most common events . . . and plays an important role in our science. . . . All historical individuals are constructed by its help." (212) For example, modern capitalism, the Federal Reserve system, the German Reichsbank. The group concept "is an abstract general concept containing the common marks of a group of individuals and only those." (213) For example, money.

The typus is a concept between the individual and the group concepts. It is related to the group concept because it always emphasizes the marks of several individuals. It is related to the individual concept because it is always a concrete type; for example, good, middling, fair cotton, the London broker.

According to the three system-building ideas of economics Sombart distinguishes:

1. The general concepts, those that are directly oriented on the basic idea (p. 112) and are therefore valid in all economic systems. They emphasize the general essence of the object. For example, production, productivity.

2. The historic economic concepts, those that are oriented on the idea of the economic system and are therefore only valid in a certain economic system: They emphasize the historic essence of the object, for example, enterprise, interest.

3. The working concepts, those that are built with regard to a certain working idea (p. 119): for example, international balance.

Any economic concept receives its concrete meaning only in relation to its economic system.

211. Sombart, Werner, *Die drei Nationalökonomien*, p. 245.

212. Ibidem, p. 238.

213. Ibidem, p. 238.

5. THEORY AND HISTORY.

§1. The natural scientist builds up his theory, after having observed, registered and ordered the exterior flow of physical events in the particular sphere of interest. Out of this object of actuality *Erfahrungsobjekt*, the natural scientist retains the identical, the causal, the general in his object of thinking, *Erkenntnisobjekt*. (214) In the higher stages of development of a science, the object of empirics becomes so multitudinous in its marks and characteristics, since reality, life itself, is so rich and colorful that it cannot be conceived in our thinking in its totality of marks and symptoms. The multitude can no longer be represented in a concept. At this stage of a science the object of actuality is approached through certain preconceived notions, of particular interest. For example: the general, the individual, the constant, the changing. That is, whereas at a lower stage of the science every empirical object calls forth in our mind one object of thought, at the higher stage the same empirical object is the basis for several objects of thought, according to our interest in isolating the specific phases and abstracting the general in our thought. For example, the empirical object, iron, becomes the object of thought in physics, chemistry, geology, mineralogy, metallurgy, etc. To the natural scientist, then, theory becomes the isolated, abstracted, generalized identity in causal repetition of succession and coexistence. The highest aim and the purpose of the theory is to set up laws working with "iron necessity."

The orthodox economist using the natural scientific approach proceeded in the same manner.

"The traditional political economy—influenced by analogies drawn from physical science—confined economic science to the theory of economic equilibrium. . . . There was no discussion of economic production or economic organization or economic motives, as we find them in every day life. . . . An economic theorist of the old school had lost all sense of historic reality. . . . They represented rather perversions of the natural sciences. . . . They take no account of the historical forces which affect the working out of economic principles, but deal with economic phenomena as though they were substances like those which the physical scientists study, as though they were parts of a connected system and had been subject in the past to the same laws which govern them today and will govern them in the future." (215)

As in the Newtonian System, the division of labor moved units of

214. Ammon, Alfred, *Objekt und Grundbegriffe der theoretischen Nationalökonomie*.

215. Sombart, Werner, *The Economic History Review*, V. II, No. 1, p. 8.

economic substance—human labor or utility embodied in commodity quantities—in exchange for price quantities on precisely prescribed routes like the planets in the solar system. The only thing that worried the Physiocrats and Adam Smith was the discovery of the laws of this movement, and Jevons thought he had discovered the “physics” of economics.

“They apply to economic questions analogies drawn from the natural sciences, and they seek economic principles which have universal and uniform applicability under every variety of conditions.”(216)

And so too worked the economic historians who used the natural scientific procedure. They compiled data without a unifying idea as though the subject matter remained constant for all time and everywhere. “The massive volumes of Thorold Rogers furnish an admirable illustration” not of economic history, but “merely a history of agriculture and prices.” The last, however, is impossible in an evolutionary science whose subject matter changes during and with the analysis.

“The statement of the problem is wrong: there is no such thing as a history of prices. Price is a phenomenon which in itself means nothing, and as a symptom means something different at different stages of economic development. . . . His running commentary on his statistics is nothing more than an indiscriminate accumulation of technical notes.”(217)

§2. Facts, maintains Sombart, are like beads: they require a string to hold them together, to connect them. Such a “unifying idea” is Sombart’s theory of the “economic system.” Any fact at any time receives its meaning from the latter. Economic history became in traditional economics a separate field often cultivated by professional historians without any weight in economic theory. Theory, however, is to Sombart the prerequisite to any scientific writing of history. “Theoretical training alone makes the true historian.” No historian, maintains Sombart, would presume to write a country’s legal history unless he had a mastery of jurisprudence, just as no military history can be written by a man who is not “proficient in military theory.” So too in economics, “if the writing of history is to have any lasting value it must be based on a solid knowledge of theory.”(218) The economic historian must be first of all aware that he is concerned with connected systems and not isolated facts, “wholes.” “In and for themselves, neither Cromwell nor Magna Carta nor the World War can be considered an object of history. They are mere links in a chain, mere units in a series.” Facts by themselves have no meaning. Only as parts of a greater whole, and in relation to that whole, do they acquire any meaning. “History has for its subject matter an infinite

216. Sombart, Werner, *Economic History Review*, V. II, No. 1. p. 8.

217. Ibidem, p. 8.

218. Ibidem, p. 3.

number of such "wholes" or "connected systems." (219) Sombart distinguishes such "wholes" or "historic individuum" limited in point of time; i.e., the history of the Renaissance; limited in point of content—history of banking, the history of international trade; or limited to geographical boundaries—the history of the City of New York. "A subject of historical writing remains always a historic individuum." (220) A historic individuum is a whole or a subordinate part of some greater and more comprehensive whole from which it obtains significance. The more comprehensive the sphere of influence of the "individuum," the more generality is attached to the single fact taken into consideration.

The size of the "whole" determines the extent of uniformity. Such a "whole," a "historic individuum" that enables the economist to distinguish, describe and correlate economic phenomena, is furnished, as we have seen, in Sombart's theory of the economic system. The size of the circle that the given "historic individuum," e.g., the economic system, occupies in the universe determines the uniformity and universality of economic phenomena.

"The idea of the 'economic system' and a theory of economic life based upon it, enables us to approach the study of economic history with every prospect of obtaining fruitful results." (221)

In the Marx-Sombart discovery of the economic system, the economic historian found a body of theory constructed to meet his requirements. For his part, says Sombart,

"I have myself ventured aloft in the machine which I have constructed, and I feel that it has come through the test adequately." (222)

He is referring here to the achievement of his *magnum opus*, "Der Moderne Kapitalismus."

"I have not, however, succeeded up to the present in obtaining recognition as an historian." Sombart relates the curious fact that the publishers never knew under which shelf and catalogue to place his studies on Capitalism, whether under theory or under history. They contain both, equally and inseparably.

"Economics without theory is blind, without history is empty." (223)

§3. The relationship in cultural sciences between theory and history is the opposite to that in natural sciences. In the latter, as we have seen, the law, the theory, is the culmination of research: we observe exterior regularities until the law is abstracted. In cultural sciences it is the re-

219. Sombart, Werner, *Economic History Review*, V. II, No. 1, p. 2.

220. Sombart, Werner, *Die drei Nationalökonomien*, p. 316.

221. Sombart, Werner, *The Economic History Review*, V. II, No. 1, p. 12.

222. Ibidem, p. 17.

223. Sombart, Werner, *Die drei Nationalökonomien*, p. 319.

verse: we understand the stock market, every move of the broker, only when we know the laws and rules of the market and the theory of money and banking. Here the theory comes first, and its sole purpose is to enable us to understand reality. Thus, whereas in "natural-scientific" economics "concrete economy came to supplement pure economy," (224) in "cultural-scientific" economics Sombart reverses J. N. Keynes' phrase "the pure economy comes to supplement concrete economics." In the reversal of the Ends-Means relationship between theory and empiry appears clearly the whole difference between the natural-scientific and cultural-scientific conceptions of economics. (225) Theories, rational schemata, are to Sombart means toward ends but never ends in themselves, never the conclusion of research as in the natural sciences.

"Hence it means: that in setting up a schema we do not have any insight into the real connection as yet. . . . For example, when I have completed an elaborate theory of Marginal Utility I still do not know whether one exchange transaction will in reality be ratified according to the marginal utility principle." (226)

Reality is often so complicated that the most ingenious schemata are of little help, since we cannot predetermine the "disturbing cause."

"It is wrong to set up a law of marginal utility without ascertaining beforehand the precise market relationships for which it is to be valid. . . . The marginal utility schemata has an entirely different significance, according to the circumstances, if I set it up for a horse market in Eastern Galicia from where the classical example is taken, or for the Stock Exchange in London . . ." (227)

Only in the frames of definite economic systems can we build meaningful schemata of rational behavior.

"With the economic man of classical economics . . . we can begin something within certain periods of the capitalistic economic system; in the frames of the simple economy, handicraft or communistic economy—nothing." (228)

§4. To Sombart the task of a theory in economics is:

1. To create a complete system of economics that makes the knowledge of the cultural sphere a scientific discipline.
2. To introduce a fruitful system of concepts adequate to the system of the science.
3. To ascertain the knowledge of uniformity and regularity in economic life.

We obtain knowledge of the prevailing regularity in a given state of events by an inquiry into (a) their possibilities; (b) their probabilities; and (c) their causalities.

(a). The inquiry into the possibilities gives a systematic account of

224. Sombart, Werner, *Die Drei Nationalökonomien*, p. 319.

225. Ibidem.

226. Ibidem, p. 301.

227. Ibidem, pp. 301-302.

228. Ibidem.

the conceivable possibilities as to the outcome of a given state of affairs. In his "Modern Capitalism," Sombart made an extensive use of this part of theory. A "pure ideal-typical" inquiry precedes inquiry in historic reality; that is, a theory precedes every main chapter of history.

(b). The inquiry into the "probabilities" leads to the knowledge of the tendencies inherent in the given state or flow of phenomena. The tendency as we have seen is not a law, although in economics it is of equal importance. It assumes on the basis of uniformity of motive formation and of the predominant character type that A_x is likely to behave in the same direction as A_1 , A_2 , A_3 , etc. All present-day forecasting is based on the tendency.

(c). The inquiry into "causalities" leads to ascertaining the kinds of regularity prevalent in the given state of phenomena and eventually summarized in laws. Sombart distinguished three types of regularity, as we have seen (p. 104-5), the mathematical, the structural, and the rational.

"To examine a state of things in its regularity and to inquire into its three-fold causality is the most important task that a good theory has to fulfill." (229)

Theory is concerned with the "ideal" type of phenomena, empiry with the "real" as it has taken shape in history.

"Theory ascertains possibilities, probabilities, and causalities that are always timeless and spaceless. History ascertains realities that are always in time and space." (230)

According to this principle, Sombart distinguishes between general and special economics.

§5. General economics deals with those general economic categories that are *a priori* in all economic thinking. These include timeless spaceless notions, general categories that receive their meaning from the prevailing economic system and different meaning in different economic systems.

The following is the outline of Sombart's university course, called "the general categories of the economy." (231)

1. WANTS.

1. The concept "wants."
2. Commodities.
3. The economic value of goods.
4. The kinds of wants.
5. The origin of wants.
6. The rational schema of wants formation
(marginal utility theory).

229. Sombart, Werner, *Die drei Nationalökonomien*, p. 300.

230. Ibidem, pp. 316, 317.

231. Ibidem, p. 208.

II. PRODUCTION.

A. *The process:*

1. Production in general.
2. The elements of production.
3. The structure of production.
4. The factors of production in general.
5. The personal factor of production.
6. The material factor of production.

B. *Performance and Success:*

1. Gross yield and costs.
2. Net yield and income.
3. Intensity.
4. Productivity.
5. Economizing.
6. Yield laws (diminishing returns, etc.).

C. *Location.*

III. TRANSPORT.

IV. DISTRIBUTION.

V. THE PROCESS AS A WHOLE.

1. The mutual conditioning of partial economic processes.
2. The economic plan (the form of the whole economy).
3. The social wealth.

§6. Special economics deals with those economic categories realized in concrete reality, in history, that is, in the economic system. "My 'Modern Capitalism' forms the content for a special economics as I see it." The following is the skeleton of the third volume of "Der Moderne Kapitalismus," called *Hochkapitalismus*:

THE ECONOMIC LIFE IN THE EPOCH OF FULL CAPITALISM

I. THE FOUNDATIONS.

A. *The driving forces.*

1. The significance of the capitalistic entrepreneur.
2. The new industrial leader.
3. The unfolding of economic energy.

B. *The state.*

1. The essence of the modern state.
2. The interior economic policy.
3. The exterior economic policy.

C. *The technique.*

1. The new Spirit.
2. The new road.
3. The economic importance of modern technique.

II. THE STRUCTURE.

A. *Capital.*

1. Theory.

- a. Concept and essence of Capital.
- b. Kinds of capital.
- c. Realization of Capital.

2. Money market.

- a. Origin.
- b. Credit and its development.
- c. Importance of credit for the capitalistic system.

3. Capital goods.

- a. Fundamentals.
- b. The unfolding of production.
- c. Mobility of goods.

B. *Labor.*

1. Theories of population.
2. The origin of the potential proletariat.
3. The origin of the actual proletariat.

C. *Marketing.*

1. Theory.

2. The exogenous demand.
3. The endogenous demand.

III. THE PROCESS.

A. *Elements.*

1. Wants.

- a. The kinds of wants.
- b. The reasons for wants.
- c. Special kinds of wants.

2. Market.

- a. Concept and kinds of markets.
- b. The price laws.
- c. Artificial influence.

3. Going concern.

- a. The uniformity of formation.
- b. The configuration of the single going concern.
- c. The fusion of going concerns.

B. *Forms of Motion.*

1. Competition.

- a. Yield competition.
- b. Suggestion competition.
- c. Violent competition.

2. *Conjunctur* (Cycles).

- a. Concept and external aspect.
- b. Inner relationship (expansion, recession, depression).
- c. The importance of expansion for the development of Full Capitalism.

C. *Historical formation of the economic process in history.*
Rationalism of

1. Demand (consumption).

- a. The bearer of demand.
- b. The ways and means of want satisfaction.
- c. The character of commodities.

2. Market (circulation).

- a. Enlarging and enlightening.
- b. Materialization of business forms.
- c. Rationalization of price foundation.
- d. Risks and safeguarding.
- e. Market combination.
- f. Stabilization of cycles.

3. Going concern (production).

- a. The capitalistic forms.
- b. The exterior configuration.
- c. The inner shape.

CLOSING PART: The economy as a whole.

The beginning chapter of every part is a theoretical inquiry. Theory precedes empiry to facilitate our insight into the latter. That is, whereas general economics is only theoretical without any empirical validity, special economics contains theory and empiry mutually determining each other.

"Economics as a meaningful whole is a union of theory and empiry." (232) Technically, the problem is whether theoretical and empirical research and teaching is to be separated indifferent individuals or combined in one person. Sombart adheres decidedly to the latter. Pure theoreticians without the slightest idea of what empiry requires are likely to run into fruitless theorizing and law making. It is to them that Sombart credits so many fruitless doctrines and schemata in economics, because they never applied it in empirical reseach, hence were unaware of what works and of what does not. The "pure empiricist," good or bad, is more likely to succeed.

"One can, in an emergency, cultivate corn with self-constructed field implements even when bad, whilst the producer of ploughs and harrows is not able to raise a single grain of corn." (233)

"One who does not cultivate theory and empiry equally is not altogether an economist, but only partly so." (234)

232. Sombart, Werner, *Die drei Nationalökonomien*, p. 319.

233. Ibidem, p. 320.

234. Ibidem, p. 319.

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- Die deutsche Zigarrenindustrie und der Erlass des Bundesrats, vom 9 mai, 1888, v. 2, p. 107.
- Lohnstatistische Studien, v. 2, p. 259.
- Die Statistik der Unfall und Krankenversicherung im Deutschen Reich für 1887, v. 2, p. 639.
- Zur Beurteilung der Zustände der römischen Campagna, v. 2, p. 378.
- Die Hausindustrie in Deutschland, v. 4, p. 103.
- Studien zur Entwicklungsgeschichte des italienischen Proletariats, v. 6, p. 177, and v. 8, p. 521.
- Das italienische Gesetz von 15 Juni, 1893 betr. die Einsetzung vom "Proviviri," v. 6, p. 549.
- Erwiderung auf die "Antwort" Prof. Julius Wolf, v. 6, p. 147.
- Zur Kritik des ökonomischen Systems von Karl Marx, v. 7, p. 555.
- Zur neuern Literatur über das Handwerk, v. 9, p. 624.
- Ideale der Sozialpolitik, v. 10, p. 1.
- Die gewerbliche Arbeit und ihre Organisation, v. 14, p. 1, 310.
- Der Stil des modernen Wirtschaftslebens, v. 17, p. 1.
- Beruf und Besitz, v. 18, p. 1.

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- Versuch einer Systematik der Wirtschaftskrisen, v. 19, p. 1.
- Der bibliographische und literarisch-kritische Apparat der Sozialwissenschaften, v. 19, p. 224.
- Ein Beitrag zur Bibliographie des Marxismus, v. p. 413.
- Quellen und Literatur zum Studium der Arbeiterfrage und des Sozialismus in den Vereinigten Staaten von Amerika (1902-1904), v. 20, p. 633.
- Studium zur Entwicklungsgeschichte des nordamerikanischen Proletariats, v. 21, pp. 210, 308, and 556.
- Der Begriff der Stadt und das Wesen der Stadtbildung, v. 25, p. 1.

Archiv für Sozialwissenschaft und Sozialpolitik (continued)

- Karl Marx und die Soziale Wissenschaft, v. 26, p. 429.
 Der Kapitalistische Unternehmer, v. 29, p. 689.
 Die Kommerzialisierung des Wirtschaftslebens, v. 30, p. 631; v. 31, p. 23.
 Einige Anmerkungen zur Lehre vom Standort der Industrie, v. 30, p. 748.
 Technik und Kultur, v. 33, p. 305.
 Die Technik im Zeitalter des Frühkapitalismus, v. 34, p. 721.
 Die Elemente des Wirtschaftslebens, v. 37, p. 1.
 Objekt und Grundbegriffe der theoretischen Nationalökonomie, v. 38, p. 647.
 Die Entstehung der Kapitalistischen Unternehmung, v. 41, p. 299.
 Aus der Freiheit der modernen Gesellschaftsformen, v. 42, p. 642.
 Die Arbeitsverhältnisse im Zeitalter des Frühkapitalismus, v. 44, p. 19.
 Die Grundformen des menschlichen Zusammenlebens, v. 64, p. 225.

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 Die Idee des Klassenkampfes, v. 21, h. I, 22.
 Die Vergeistung der Betriebe, v. 25, h. I, c. 149.
 Produktivität, v. 28, h. 1, pp. 1-32.
 Die Wandlungen des Kapitalismus, v. 28, h. 2, p. 243.
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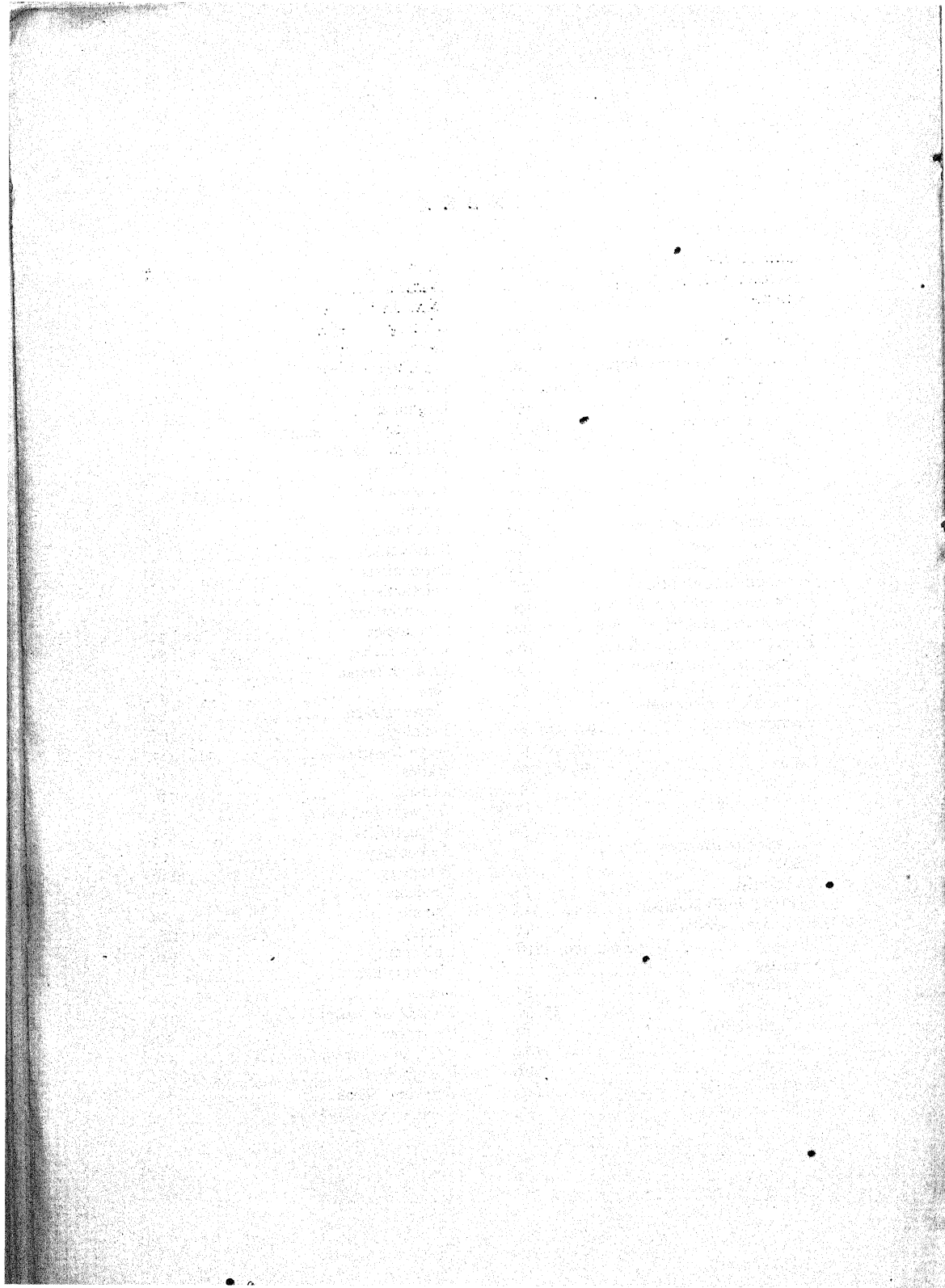
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INDEX

Anthropology	52ff.	Motivation	85ff.
Associational psychology	15, 16.	Natural science	74.
Atomism	74.	Nomologic method	60f.
Basic Idea	112.	Noologic method	60f.
<i>Betriebswirtschaftslehre</i>	94, 96.	Normative method	72f.
<i>Beziehungszusammenhang</i>	84.	<i>Objektiver Geist</i>	51, 55.
Capitalism	115, 116	Objectivists	75.
Causality	85ff.	Organism	119.
Classical School	18, 75.	Philosophy of economics	99.
Concepts	120.	Political economy	98.
Cultural science	54.	Positivism	15.
Culture	54, 55, 77.	Pragmatism	110, 111.
Dynamics	119.	Psyche	49.
Economic determinism	70.	Psychology	47ff.
Economic epoch	116.	Rationalism	60.
Economic system	113.	Rationalists	75.
Economics, definition	92ff.	Relationists	73.
Economics, cultural science	100.	<i>Sachverstehen</i>	84.
Economics, empirical science	100.	Scholastics	72.
Economics, social science	100.	<i>Selenverstehen</i>	84.
Economics, nomenclature	93.	<i>Sachverstemen</i>	83.
Economics, <i>ordende</i>	75.	<i>Sinn</i>	79.
Economics, <i>richtende</i>	75.	<i>Sinnverstehen</i>	81.
Economy	92, 93, 112.	Sociology	61ff.
Ethics	32, 90, 91.	Stage theories	116, 117.
Ethos	55, 69, 102.	Statics	119.
Fascism	54.	Statistics	107ff.
<i>Fremdverstehen</i>	85.	<i>Stilzussammenhang</i>	83.
<i>Geist</i>	51, 54.	Subjectivists	75.
<i>Geisteswissenschaft</i>	54.	Technology	109.
<i>Gestalt Idea</i>	113.	Teleology	88ff.
• Harmonist	73.	Tendency	107.
Historic individualism	123.	Theism	72.
Historical school	19.	Theory	62, 100, 121ff.
History	61, 62 63, 100, 121ff.	Uniformity	101.
Ideal typus	120.	Universalism	46, 54.
Individualism	54.	Value	97, 120.
Institution	55, 56.	<i>Verités de raison</i>	104.
Institutionalism	19.	<i>Verstehen</i>	79, 80.
Laws	104.	<i>Volkswirtschaftslehre</i>	98.
Method	72ff.	<i>Wertfreiheit</i>	32, 36, 90, 91.
<i>Methodenstreit</i>	26.	Working ideas	119.
Mind	51.	<i>Zweckzusammenhang</i>	83.



V I T A

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